FURUKAWA

Annual Report 2019

Year ended March 31, 2019

Contributing to the Construction of Social Infrastructure

FURUKAWA CO.,LTD.

Editorial Policy

This "Annual Report" is a publication for the Furukawa Company Group's shareholders and other investors. It is an integrated report that includes financial information from the Group's "Annual Securities Report" and environmental, social, and governance (ESG)-related information from its "Corporate Governance Report" and "CSR Report." The intention of this Annual Report is to foster a more accurate understanding of the integrated thinking, strategies, and actions of the Group while covering the information necessary for shareholders and other investors.

In addition to these report, we disclose financial statements, financial results briefing materials, and post various other information on our corporate website in a timely and appropriate manner.

https://www.furukawakk.co.jp/ir/library/

Target Period: April 2018–March 2019
(Some activities before and after this period are also included.)

Annual Report

- **Annual Securities Report** (Financial information)
- **Corporate Governance Report** (ESG information)
- **CSR Report** (ESG information)

Forward-Looking Statements
This Annual Report contains information about the Furukawa Company Group's plans, strategies, and future prospects. Such information, which is based on information currently available and reflects determinations deemed rational by the Group at the present time, includes various risks and uncertainties. Actual results may differ significantly from forecasts contained herein due to these changing uncertain factors.

Contents

About the Furukawa Company Group

The key to the success of the Furukawa Company Group, which recently celebrated the 144th anniversary of its founding, began with the development of the Ashio Copper Mine by founder Ichibei Furukawa. At the time, the Company introduced world-leading mine development technologies that have become the foundation for its technological expertise today. Since then, we have developed and advanced our technologies, amassed through mine development, to build our two business domains: the Machinery business and the Materials business. In particular, our Machinery business, positioned as a core business, responds to growing market needs and contributes to society through the development of social infrastructure. In the spirit of our founder, we keep our relationship with the environment and society constantly in mind when conducting our business activities.

We will continue to leverage our Machinery business and our Materials business to provide products that the world needs. At the same time, we will strive constantly to achieve the objectives of our Vision for 2025, entitled "FURUKAWA Power & Passion 150," as we approach our 150th anniversary in fiscal 2026.


Ashio Copper Mine (around 1920)

Management Philosophy

The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.

Action Guidelines

In order to live up to our Management Philosophy, we put our Action Guidelines of Innovation, Creativity and Harmony into practice, while always bearing in mind the three key words, Luck, Stolidity and Perseverance that best represents the spirit of our founder.

Innovation : We will work constantly at self-innovation by embracing a future-oriented mindset.

Creativity : We will seek to create reliable, appealing products that meet market needs.

Harmony : We will improve management transparency and contribute to the development of a society that is in harmony with the environment.

Financial / Non-Financial Performance

Fiscal year (Millions of yen)	2014/3	2015/3	2016/3	2017/3	2018/3	**2019/3**
Net sales	163,026	172,544	161,799	149,830	167,696	**174,117**
Operating income	6,886	8,925	7,989	6,546	7,821	**8,915**
Profit attributable to owners of parent	3,976	9,793	5,056	4,254	4,774	**4,654**
Profit attributable to owners of parent per share (Yen)	98.40	242.34	125.13	105.29	118.16	**116.23**
Return on equity (ROE) (%)	7.6	15.9	7.5	5.9	5.9	**5.7**
Return on sales (%)	2.4	5.7	3.1	2.8	2.8	**2.7**
Total asset turnover (Times)	0.82	0.85	0.80	0.74	0.78	**0.79**
CO_2 emissions (Thousand t)	23	27	24	25	26	**26**
Total emissions including waste, etc. (t)	7,746	6,266	6,832	5,347	6,884	**7,160**
Employees	2,413	2,456	2,521	2,616	2,690	**2,757**

Furukawa Company Group's Value Creation Process

During its long history dating back 144 years, the Furukawa Company Group has undergone various transformations and overcome many difficulties. This history reflects the strong commitment to safety and the environment that we have today. Embracing the philosophy of Ichibei Furukawa, our founder, we have practiced marketing-based management by developing mines and other technologies that support social infrastructure. As a result, we have innovated products and services that are reliable and appealing and satisfy market needs. With a commitment to "category leadership and uniqueness," we aim to remain a company that is indispensable to society.

Management Philosophy

The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.

Strategy

Vision for 2025
Medium-Term Business Plan

ROE
ROA

ESG

Mining technologies

Exploitation technologies
- Drilling technologies
- Hydraulic control technologies

Transport / Mineral processing technologies
- Slurry transportation technologies
- Grinding technologies

Exhaust gas treatment technologies

Rock Drill Machinery

Manufacture and sale of hydraulic breakers, hydraulic crushers, hydraulic crawler drills, tunnel construction and mining machinery, environmental machinery, etc.

UNIC Machinery

Manufacture and sale of UNIC cranes, mini crawler cranes, ocean cranes, UNIC carriers, etc.

Industrial Machinery

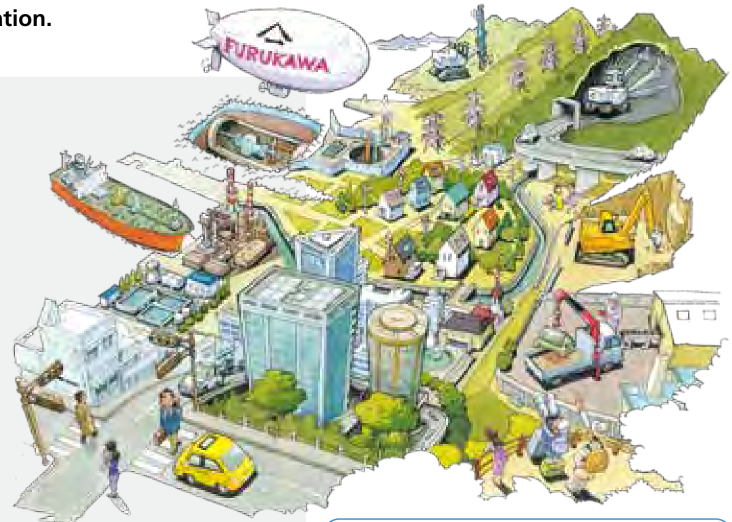
Manufacture and sale of pumps, crushers, and other material-related machines, environmental machines, bridges, and heat-and wear-resistant castings; various construction contracts

Machinery Business

Business Activities

Marketing-Based Management

Seeking to realize our Management Philosophy, which embodies this commitment, we are currently implementing our Vision for 2025 in the approach to our 150th anniversary in fiscal 2026. The vision is divided into three phases, each with its own medium-term business plan. In our business activities, which center on the Machinery business and the Materials business, we will bring together technologies cultivated over many years and new strategies while also taking ROE/ROA, business portfolio management, ESG, and risk management into account. In this way, we will help resolve social issues in each era and continue building social infrastructure and realizing a safe and environmentally friendly society. This has been the Group's value creation process since its foundation.



Smelting technologies

Flash smelting technologies	Sulfuric acid production technologies	Electric technologies
Metals	**Chemicals**	**Electronics**
		
Sale of electrolytic copper, electrolytic gold, electrolytic silver, sulfuric acid, etc. (produced by smelting on consignment)	Manufacture and sale of sulfuric acid, polyferric sulfate aqueous solution, sulfate band, cuprous oxide, copper oxide, etc.	Manufacture and sale of high-purity metal arsenide, crystal products, core coils, aluminum nitride, optical components, etc.

Materials Business

Business Portfolio Management

Risk Management

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Products / Services

Value Creation

"Category leaderships and uniqueness"

- Establish social infrastructure
- Realize a prosperous society that is safe and environmentally friendly

Social Issues / Needs

Vision for 2025 and Medium-Term Business Plan 2019

We have a long history dating back 144 years. Since our establishment as a mining company, we have undertaken various changes, including business transformation and diversification, while overcoming multiple periods of hardship. This history is embodied in today's Furukawa Co., Ltd., which is the core entity of the Furukawa Company Group. Our role in society is to help resolve the social issues of the times by applying our accumulated technological expertise to create reliable and attractive products, technologies, and services tailored to market needs. To realize our Management Philosophy, which reflects this role, we formulated our Vision for 2025 with a view to our 150th anniversary in fiscal 2026. We announced the vision, entitled "FURUKAWA Power & Passion 150," in 2015 when we celebrated our 140th anniversary. As performance indicators, the vision sets out two targets: consolidated annual operating income regularly in excess of ¥15 billion and ROE of more than 10%. Phase 1 of the vision is the three-year period covered by our Medium-Term Business Plan 2019 (April 2017 to March 2020). This is positioned as a period of "Building foundations for renewed growth." In fiscal 2020, the final year of the plan, we are targeting consolidated operating income in the ¥8.5 billion range and ROE in the 6–7% range.

Fiscal 2019 Review and Fiscal 2020 Initiatives

Fiscal 2019, ended March 31, 2019, was the second year of Medium-Term Business Plan 2019. We are satisfied with our performance as we enter fiscal 2020, the plan's final year. In fiscal 2019, we posted consolidated operating income of ¥8,915 million, up 14.0% from the previous fiscal year and 4.9% higher than the ¥8.5 billion target set under Medium-Term Business Plan 2019. By business, the Machinery business performed well, with operating income at 5.1% higher than our target under the plan. Within the Machinery business, the Industrial Machinery segment was particularly strong, with operating income at 67.1% higher than the target. By contrast, operating income of the Materials business was 0.3% below the target, due to deteriorating profitability of smelting and refining operations in the Metals segment, where operating income was 16.9% below target. Meanwhile, operating income of the Real Estate segment was 16.4% above the target. As a result, the Machinery business was able to compensate for inconsistent profitability of the Metals segment, making fiscal 2019 a year of progress as we closed in on our objective of becoming a company that is not dependent on the performance of the Metals segment.

We have set ¥8.5 billion as our consolidated operating income target for fiscal 2020, the final year of Medium-Term

Business Plan 2019. To reach this milestone target, we have set operating income goals for each business segment and improvement of ROE as our most important priorities. Particularly urgent is the need to improve ROE, which was 5.7% in fiscal 2019. ROE reflects a combination of profitability, efficiency, and leverage. Of these three factors, improving profitability and efficiency is the top priority for the Group, and Companywide mindset reforms and initiatives are essential to this end. In order to link frontline operations and mindset reforms to improved ROE, the Group is promoting business management using ROA (Operating income on total assets) as a key performance indicator (KPI) for each business segment.

Medium-Term Business Plan 2019 identifies the Machinery business as our core business. To this end, we will continue "building foundations for renewed growth" so that we can achieve Phase 2 of Vision for 2025, which calls for us to "expedite growth and further improve profitability."

Shareholder Return Policy

One of the policies of Vision for 2025 is to achieve a balance between growth-oriented investments and shareholder return. In addition to returning increased profits to our shareholders, we make sure to retain funds that are needed for capital investments and R&D, which are essential for securing profits. To this end, we allocate profits after comprehensively considering future business development and other factors. In principle, we aim to pay annual dividends of ¥50.00 per share or higher for a consolidated dividend payout ratio of 30% or higher, based on consolidated earnings (excluding extraordinary income / loss situations). This reflects our policy of returning profits to shareholders in a stable and ongoing manner. For fiscal 2019, the Company declared annual dividends of ¥50.00 per share, for a consolidated dividend payout ratio of 43.0%. The Company also bought back its own shares in fiscal 2019, pursuant to a resolution of the Board of Directors on November 26, 2018. A total of 861,700 shares were bought back, for a total acquisition price of ¥1,208 million. As appropriate, we will consider buying back and canceling our own shares, taking stock price trends, capital efficiency, cash flow, and other factors into proper consideration.

Going forward, I want to use various opportunities to engage in more proactive dialogue with stakeholders, with the aim of disseminating our thoughts, attitudes, and current status more broadly and thus ensuring a deeper understanding. We will reflect the valuable opinions obtained through such dialogue in our ongoing quest to achieve growth together with stakeholders and continuously improve our ability to generate income as a corporation. We will bring together the wisdom and enthusiasm of each and every executive and employee to meet your expectations.

Naohisa Miyakawa

Naohisa Miyakawa
President and Representative Director

The "Power & Passion" symbol expresses the "power and speed" and the "passion and enthusiasm" aspects of our business approach. The perfect red circle conveys the connections and bonds we have with customers, and "150" represents the 150th anniversary of our founding in 2025, which is the year for achieving our vision.

Vision for 2025 "Furukawa Power & Passion 150"

❶ Increase the value of the Furukawa brand through marketing-based management*

- Develop products and technologies that match market needs
- Reinforce technological sales capabilities (proposals and solutions) reflecting customer needs
- Achieve category-leading positions by concentrating on niche products that have competitive advantages and using differentiation strategy
- Cultivate and create new markets and product categories; build a new business model

❷ Sustainably expand the Machinery business

- Reinforce revenue bases in growing overseas markets mainly in business related to infrastructure and resource development
- Strengthen and enhance stock business
- Maximize business opportunities by demonstrating comprehensive Group competences and reinforcing engineering strengths

❸ Strengthen and expand our human resource bases

- Build vibrant human resources and corporate culture for a new Furukawa
- Secure, utilize, and develop diverse human resources in Japan and overseas
- Put even more effort into training sales and marketing personnel

❹ Actively promote investments to increase corporate value

- Make proactive capital investments necessary for growth
- Expand business through strategic M&A and alliances

❺ Establish a robust corporate foundation

- Increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%
- Establish a strong financial base
- Achieve balanced appropriations between investments for growth and return to shareholders

*** Marketing-Based Management**

"Marketing-based management" means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to identify and resolve issues and problems faced by customers, with the aims of deepening ties with customers, achieving sustained growth, and increasing corporate value.

Strategies for Achieving Vision for 2025

Fiscal 2020, ending March 31, 2020, is the final year of Medium-Term Business Plan 2019, which is Phase 1 of our Vision for 2025. In this section, President Miyakawa shares his thoughts and enthusiasm on issues and strategies for achieving Vision for 2025.

Q1

How do you evaluate the Company’s performance in fiscal 2019, ended March 31, 2019. Also, please tell us about the future challenges of the three segments that comprise the Machinery business, which is positioned as central to realizing Medium-Term Business Plan 2019 and Vision for 2025.

In fiscal 2019, we achieved year-on-year increases in consolidated net sales and operating income, both of which exceeded our initial targets. It was a solid performance backed by growth in the Machinery business. We also reported operating income in excess of ¥8.5 billion range, our target for the final year of Medium-Term Business Plan 2019, which is Phase 1 of our Vision for 2025. However, there are some points of reflection. At the beginning of fiscal 2019, we predicted a year-on-year decline in operating income. In the course of producing quarterly business reports, however, we made a succession of upward revisions, which

Positioning of Medium-Term Business Plan 2019: “Building foundations for renewed growth”

Phase		Phase 1	Phase 2	Phase 3
Time period		FY2018–2020	FY2021–2023	FY2024–2026
Positioning		Build foundations for renewed growth	Expedite growth and further improve profitability	Complete realization of Vision for 2025
Performance indicators	Operating income	¥8.5 billion range	—	Regularly in excess of ¥15 billion
	ROE	6–7% range	—	More than 10%

showed a lack of precision in our forecasts. Our initial forecast, which reflected the Company's steadfast and conservative approach, disappointed many shareholders and other investors, and the fact that we ultimately delivered a good performance is something, we should reconsider. Although each segment faces difference circumstances, I feel that we need to re-evaluate our market analysis, planning, and risk-taking methods, which together form the basis for our performance forecasts.

The Industrial Machinery segment succeeded in attracting multiple large-scale orders for belt conveyors. Due to the nature of the contractor business, however, it is difficult to envisage in advance the assumptions and risks that may occur. Because we analyzed these risks too cautiously, we were forced to make significant changes in profit forecasts as construction progressed. It goes without saying that risk should be managed rigorously, but we also need to reassess how we incorporate such risk into our forecasts without being overly conservative. On the other hand, transporting earth and sand via belt conveyor can help address various social issues, so we will continue working to attract orders for large-scale projects in the contractor business. At the same time, we will rigorously manage projects that are already in progress.

In the Rock Drill Machinery segment, our top priority is to bolster overseas sales of hydraulic crawler drills. Overseas sales outside of North America are declining, and we are examining this situation closely. We need to focus all our efforts on understanding and resolving issues related to our sales capabilities, product appeal, inventory control, and other factors. In Japan, we are enjoying healthy demand for tunnel drill jumbos used in mountainous tunnel construction. However, this demand will decline one day, so we need to swiftly establish a foundation and systems for overseas sales expansion. Meanwhile, we are going ahead with initiatives for our Life Cycle Support (LCS) activities, which include launching a hydraulic crawler drill operational management service in Japan. Although this will take time to help our bottom line, we are making steady progress.

In the UNIC Machinery segment, we completed rolling out our full lineup of UNIC cranes in response to partial revision of mobile crane structural standards, and are currently promoting sales of the "G-FORCE" series of cranes that feature easy operability and safety. Meanwhile, we completed a three-year capital investment plan aimed at upgrading the Sakura Works to "mother factory" status, and expect this to produce benefits in fiscal 2020. In Japan, where demand for trucks is expected to gradually decline, we will aim to differentiate ourselves by offering higher-value-added UNIC cranes while exploiting the benefits of capital investments to enhance profitability. We will also forge ahead with model changes of our mini crawler crane lineup. Overseas, we will step up sales activities tailored to each region, but building markets in emerging countries remains a challenge.

In fiscal 2020, we will concentrate on overcoming problems one step at a time, with emphasis on the Machinery business, in order to compensate for inconsistent earnings in the Metals segment and achieve targets of Medium-Term Business Plan 2019, which is Phase 1 of Vision for 2025. In this way, we hope to make good progress in "Building foundations for renewed growth," the slogan of the plan, and pave the way for Phase 2 of the vision.

Q2

You have been elected to continue as president. Please tell us about the election process and your future aspirations.

In line with the revision of Japan's Corporate Governance Code in June 2018, the Company established the Nomination & Remuneration Committee in November 2018 to strengthen corporate governance. The Committee, which consists of three outside directors and the president, received inquiry from the Board of Directors and met on multiple occasions to consider nominations of directors for the next fiscal period. It concluded that I remain in my position as president and representative director. The Board of Directors showed respect for and approved the Committee's nominations, and the candidates were elected at the Shareholders' Meeting.

Since becoming president in June 2013, I have been engaged in renewing our Management Philosophy and formulating Vision for 2025 and Medium-Term Business Plan 2019. During that time, we believe we have made good progress in communicating the Furukawa Company Group's aspirations and goals to executives and employees. However, we still have work to do in transforming various bodies of the Company into forums for free discussion about corporate strategies and tactics. These include the Board of Directors and the Management Council, as well as the Management Committee, which spearheads implementation of medium-term business plans. If we can transform the core of management into a culture of more open discussion about varying agendas, we will naturally foster a culture in which all employees can think and debate freely. I recognize that in-house mindset reforms and cultural reforms are essential for realizing our Vision for 2025. With this in mind, I want to lead the charge in providing forums for freer and more open discussion. I believe that the spread of such open and free debate will surely help foster our next generation of leadership candidates.

Q3

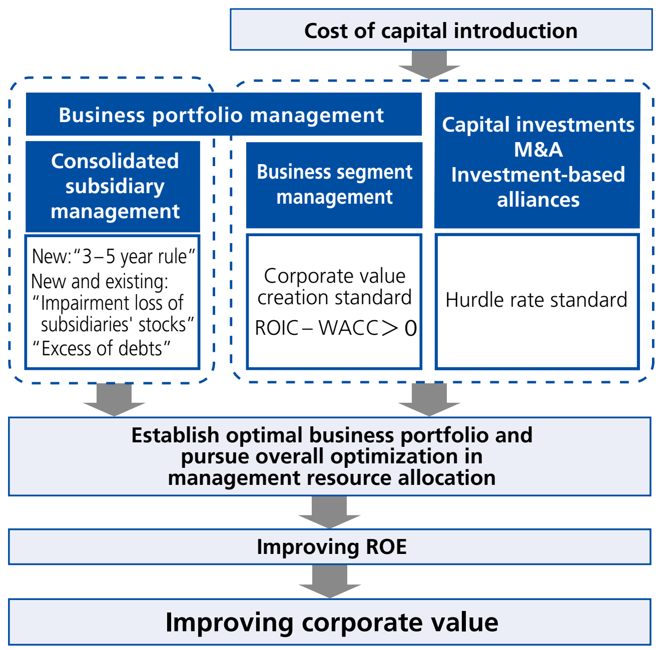
Improvement of ROE and introduction of a cost of capital are two central elements of the Group's management reforms. Please tell us about your aims and initiatives in this regard.

In order to realize Vision for 2025, our most important priority is to increase corporate value, and boosting ROE is a crucial part of that process. ROE reflects a combination of profitability (net income margin), efficiency (total asset turnover), and financial leverage. Of these three factors, increasing profitability and efficiency is the top priority for the Group. To make it easier for our business segments, we use ROA for each segment—based on operating margin instead of net income margin—to measure profitability and set performance indicators. Using ROA as an improvement driver, we have created a breakdown of specific strategies and measures, incorporated KPIs into frontline operations, and launched initiatives aimed at improving the work practices of each and every employee. I think our executive-level people recognize why ROA needs to be improved, but more rigorous efforts will be required until individual employees think and take action. We created an "ROE Tree" to help align the behavior of individual employees on the frontlines with the Group's corporate policies and share a common mindset.

We also recognize the crucial importance of introducing cost of capital in order to improve ROE. To calculate the cost of capital, we adopted the weighted-average cost of capital (WACC) method, based on a capital asset pricing model (CAPM), to set the hurdle rate (>WACC). In managing the portfolios of our business segments, we use a corporate value creation standard, and for capital investments, M&A, and investment-based alliances that generate cash flows, we set hurdle rate standard. In these ways, we endeavor to optimize overall allocations of management resources. Using cost of capital to optimize portfolios not only helps strengthen our business but also enables us to consider and select from a wide range of options—including business downsizing / withdrawal, new business development, M&A, and alliances—starting from a zero base. My greatest hope is that it will lead to mindset reforms and business reforms.

By simply extending our current business portfolio, we believe we cannot regularly achieve consolidated operating income in excess of ¥15 billion, a key target of Vision for 2025. To this end, we must implement discontinuous strategies to raise operating income, which will entail creating and developing new markets in addition to existing ones, while building new businesses, including through M&A. To put such strategies into practice, it is essential that we transform the attitudes and mindsets of directors and executives. As president, I consider this as a very serious responsibility.

Corporate Value Improvement Process



Q4

Recent years have seen growing interest in ESG and the Sustainable Development Goals (SDGs). Please tell us your thoughts on the Furukawa Company Group's approach to ESG and the SDGs.

We are working on our own approach to ESG and the SDGs, which are attracting more and more attention in society. Given our historical background, it can be said that our business, in itself, has been an embodiment of corporate social responsibility (CSR). With regard to the environment, in particular, we have launched new businesses in succession based on our own reflections and experiences, including how we addressed past pollution problems. It can be said that concern for the environment in imprinted in the DNA of our employees, and the environment is closely related to our existence as a company.

With regard to governance, we have increased our responses more than ever since the establishment of Japan's Corporate Governance Code. We have been promoting reforms of the Board of Directors in response to the needs of the times. These include discontinuing the appointment of outside directors from affiliated companies, which had been pointed out before, as well as the appointment of highly independent outside directors.

In the meantime, we consider our social initiatives to be top priority. We have pursued workstyle reforms, diversity, the advancement of women, and other efforts in a timely manner, but we are still exploring what we should aim for as a Group. Rather than simply establishing systems and rules, we are currently engaging in discussions aimed at making the Furukawa Company Group a unique organization, not an imitation of other companies.

On the other hand, the Industrial Machinery segment is an area in which we can use ESG and the SDGs as business opportunities. Our belt conveyors of the Industrial Machinery segment, in particular, have been adopted to help address social issues, including reduction of carbon dioxide (CO_2) emissions, in various projects. These include relocating people to higher ground in Rikuzentakata City, providing earth-moving equipment in the Tokyo Gaikan Expressway project, and establishing intermediate storage facilities in Fukushima Prefecture. The Industrial Machinery segment will play an increasingly important role in the context of Japan's aging infrastructure, including dams and bridges. Using innovative ideas combined with past experiences, we have the potential to convert these challenges into business opportunities.

In retrospect, we can say that our history of more than 140 years has been one of solving social problems. We will continue working on ESG and the SDGs while remaining aware of our corporate social responsibilities and integrating our business and CSR activities.

Q5

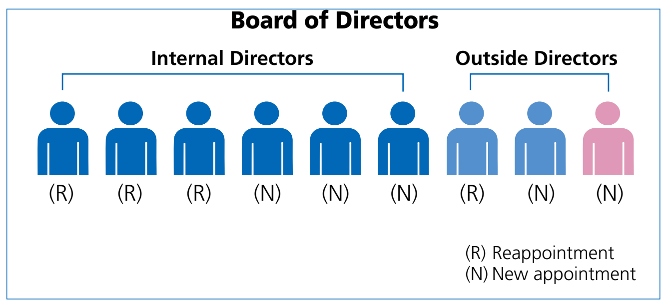
Please tell us about the Group's corporate governance reforms.

We have been promoting mindset reforms at the Board of Directors over the last several years. Rather than approving proposals as a formality, which was the case previously, we endeavor to engage in proper debate while spending considerable time on proposals and agendas. I would like the Board of Directors to function as a forum for discussing proposals and agendas, not as a voting body. Another key challenge going forward is to make changes to the Board of Directors that enable members to freely discuss the future of the Group.

The new Board of Directors for fiscal 2020 consists of five newly elected members and four re-elected ones. As Phase 1 of Vision for 2025 comes to fruition, we thought it necessary to appoint executives who will adopt a long-term vision together with new perspectives and ideas. In addition, we elected a woman to serve as one of our three outside independent directors. This is part of our efforts to promote diversity, and we expect our directors to use their diverse perspectives in management discussions. We want our outside directors to correctly identify issues and problems that go unnoticed by people inside the Company. There have been times in the past when outside directors made harsh comments that resulted in changes to the Company's systems and structure.
By encouraging directors to make more suggestions and comments than ever before, we hope to make our corporate governance system function more soundly.

It is also important for directors to have the same perspective as shareholders. Our Nomination & Remuneration Committee pointed out the need to for a performance-linked remuneration system, and we will consider this going forward. Currently, executive officers are obliged to hold shares of the Company when they are elected. We will keep in place mechanisms that encourage officers to engage in business while remaining aware of the standpoint of shareholders.

In the future, we believe that changing times and social expectations will necessitate flexible corporate governance reforms, and to this end we will promote a more open Board of Directors.



Q6

What challenges must be addressed over the long term to realize Vision for 2025?

In order to realize Vision for 2025 and our subsequent aspirations, we will pursue initiatives with somewhat long-term horizons. They key here is to foster human resources who are capable of realizing our vision. We expect the business environment to change dramatically in the future due to advances in robotics, artificial intelligence (AI), and other technologies. Under such circumstances, we need innovative ideas that combine knowledge and wisdom, which means we must foster human resources who are able to conceive new ideas that transcend existing parameters. Achieving this will require liberal arts-like education, sensitivity, and aesthetics, which differ from specific areas of specialization. I am hopeful that we can develop an innovative corporate culture by nurturing people with flexible and broad perspectives and thinking, and by developing new human resources who are not constrained by conventional training and education. My most important personal mission is to develop director and executive officer candidates who can spearhead our next generation of management.

The business environment surrounding the Group will change significantly in the future. In this context, I will do my utmost to help realize Vision for 2025 while listening to the voices of our various stakeholders.

Improving ROE

Seeking to realize Vision for 2025, the Furukawa Company Group has set a policy of increasing corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%. United as a Group, we will work to increase ROE by rebuilding corporate value creation processes, through introducing cost of capital and business portfolio management.

Senior Executive Officer
General Manager for Management Strategy
Corporate Planning Dept.
Osamu Miyazaki

Enhancing Corporate Value

One of the Group's stated policies for realizing Vision for 2025 is to "increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%." Corporate value is the sum of shareholder value (market capitalization) and debt value (net interest-bearing debt), and the key to improving corporate value lies in what the Company calls "corporate value creation power*," which is return on invested capital (ROIC) minus weighted-average cost of capital (WACC). To raise shareholder value, a component of corporate value, it is essential to achieve ROE in excess of cost of capital, and Japan's Ito Review recommends that companies maintain ROE higher than 8% as the minimum requirements. In June 2018, meanwhile, the Tokyo Stock Exchange announced its revised Corporate Governance Code, which requires companies to explain in an easy-to-understand manner their approach to cost of capital and how it is used in management. In compliance with the revised Code, we will formulate business strategies and plans based on an accurate understanding of our own cost of capital in order to improve ROE and enhance corporate value.

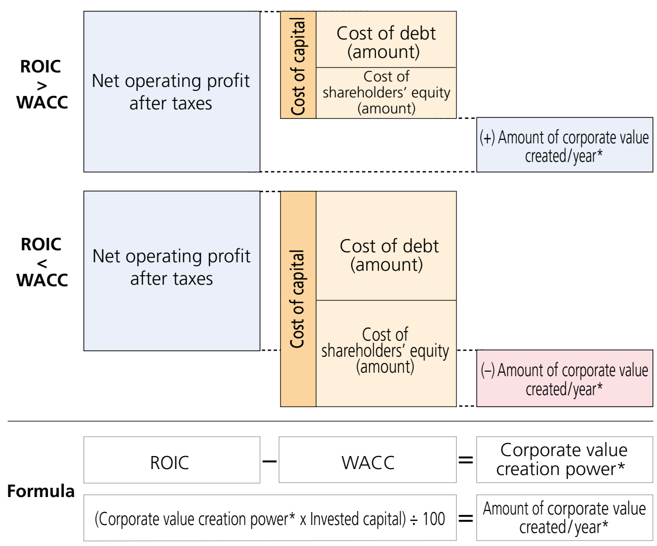
Introducing Cost of Capital

To achieve consolidated operating income regularly in excess of ¥15 billion, as stated in Vision for 2025, we must "increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%." This requires introduction of cost of capital. In addition to cost of debt stemming from payments of actual financial expenses, we will calculate and "visualize" the cost of equity, which is an invisible cost. This will make it easier to clarify and share management issues and significantly enhance our efforts to promote corporate value improvement. Cost of capital is based on the WACC concept described above, and the cost of equity is based on the widely used capital asset pricing model (CAPM) calculation method. As ROIC surpasses WACC, our "corporate value creation power*" becomes positive and new levels of corporate value are created. We will use this concept to accurately grasp corporate value creation in the Group, and also to review our business portfolio and allocate capital investments and other management resources.

Introducing Business Portfolio Management

In the course of achieving improvements in medium- and long-term corporate value, we will consider a wide range of options—including startup and development of new businesses; expansion and reinforcement of existing businesses; business downsizing, withdrawal, and sell-off; and forming alliances—from a zero base. We believe it is important to undertake business portfolio management in order to optimize management resource allocations totally. The key point is for management to have an accurate understanding of whether or not each business segment is generating corporate value. To visualize this evaluation, we use a Bubble Chart based on segment-specific "corporate value creation power*," "amount of corporate value created* / year" [=("corporate value creation power*" × invested capital) ÷ 100], and compound annual growth rate (CAGR) of net sales. This enables us to share issues related to our business portfolio and implement rational management decisions that are not overly influenced by our historic approach to resolving issues. Business segments with a negative "corporate value creation power*" are regarded as unprofitable, even if they are profitable on paper, and we will consider various options, including withdrawal and sell-off, if improvement in corporate value during a specified time period is not achieved.

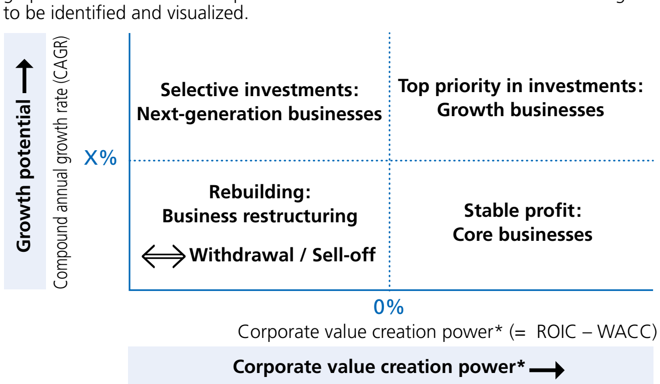
Corporate Value Creation : Image & Formula



Bubble Chart Aiming for Business Portfolio Identification & Visualization

Three performance indicators calculated by each business segment
X-axis: Corporate value creation power* (= ROIC – WACC)
Y-axis: Compound annual growth rate (CAGR)
Bubble size: Amount of corporate value created/year* [= (Corporate value creation power* x Invested capital) ÷ 100]

Illustrating the three performance indicators of each business segment onto the graph below enables the corporate value creation status of each business segment to be identified and visualized.



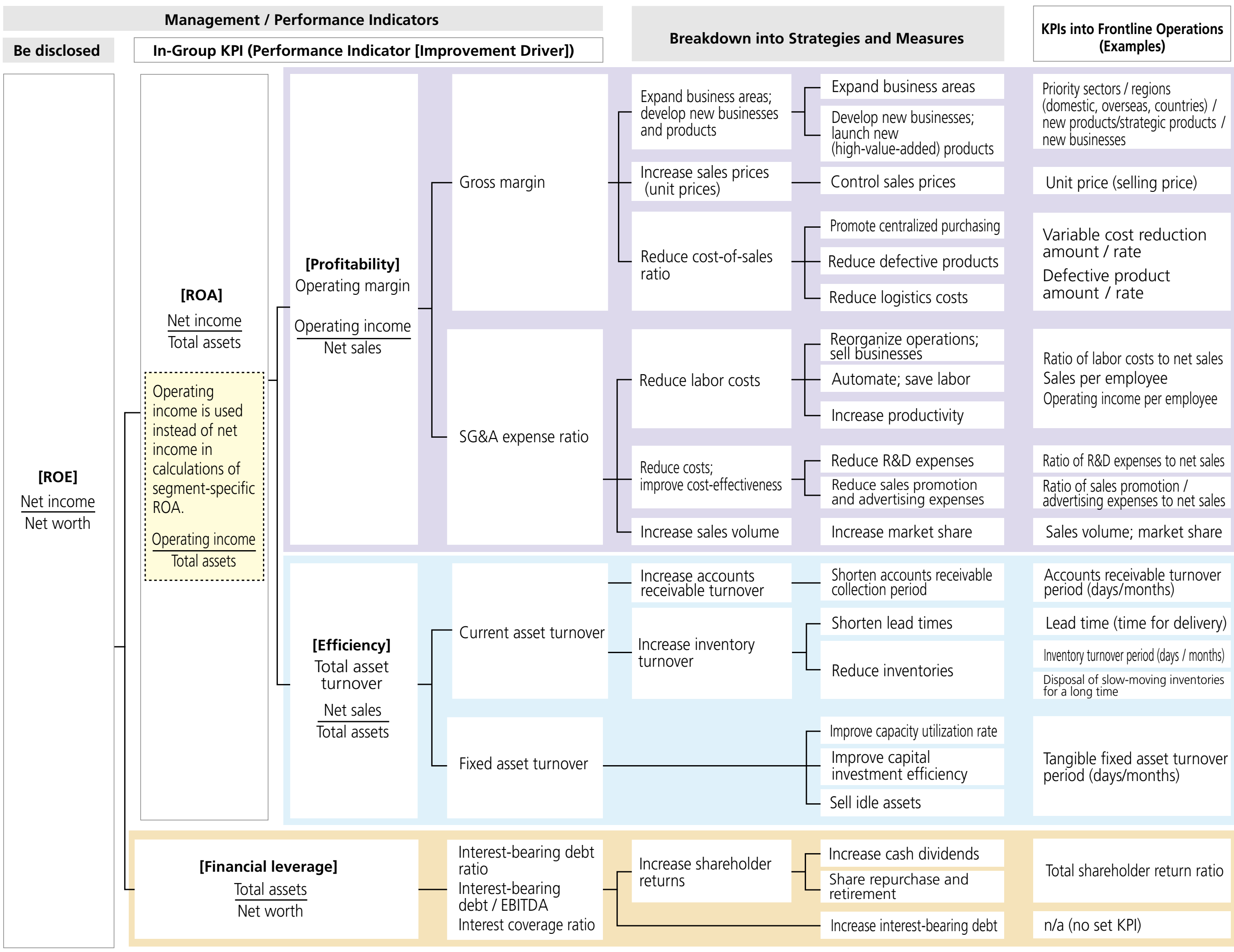
* Both "Corporate value creation power" and "Amount of corporate value created/year" are terms coined by Furukawa Co., Ltd.

Groupwide Initiatives

Improving ROE is crucial to enhancing corporate value. ROE is broken down into ROA and financial leverage (total assets / equity). We use ROA as our performance indicator. To make ROA easier for individual employees to understand and accept, we use operating income for calculation purposes, and break down ROA further into profitability (operating margin) and efficiency (total asset turnover). Efforts to increase profitability include cultivating new sales partners, expanding business areas, increasing selling prices, and raising market share. To improve efficiency, we endeavor to shorten the accounts receivable collection period, reduce inventories, increase capacity utilization, and the like. We will also set KPIs linked into frontline operations. Promoting mindset reforms of individual employees is another urgent priority that will lead to Groupwide efforts to improve ROE.

Although reducing interest-bearing debt has a negative impact on improving ROE, for the time being, we will give priority to reducing interest-bearing debt with a view to ensuring financial soundness and improving our credit rating. By implementing comprehensive capital policies, including payment of continuous and stable dividends, as well as share repurchase and other shareholder return measures, we will also work on the appropriate use of financial leverage.

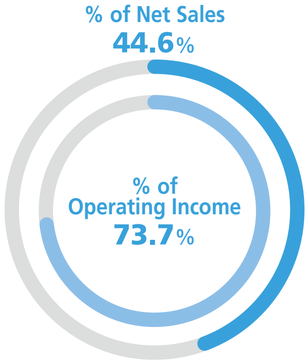
ROE Tree for Creating Corporate Value



Furukawa Company Group's Strategy for Improving ROE

Improving corporate value is key to realizing the Group's Vision for 2025. This in turn requires improvement in ROE, as well as ROE that continuously exceeds the cost of capital, as absolute prerequisites. With regard to ROE improvement, we focus mainly on enhancing profitability and efficiency rather than relying excessively on financial leverage. By regularly monitoring KPIs linked into frontline operations of each department and site, we will make ROE improvements more reliable while repeating the plan–do–check–action (PDCA) cycle. By also visualizing the invisible cost of capital, we will identify management issues more clearly and make resolute efforts to address them.

Machinery

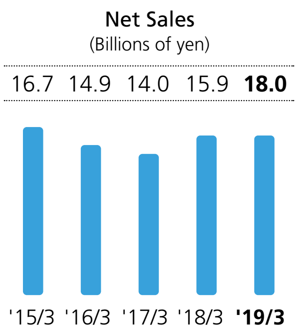


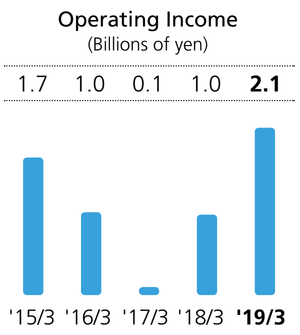
In fiscal 2019, total sales of the Machinery business—consisting of the Industrial Machinery, Rock Drill Machinery, and UNIC Machinery segments—amounted to ¥77,580 million, up 5.6% year on year, and operating income was ¥6,567 million, up 29.2%.

For the fiscal year, the Machinery Business accounted for 44.6% of consolidated net sales and 73.7% of operating income.

Industrial Machinery

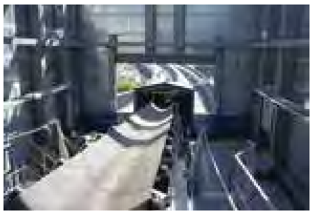
The Industrial Machinery segment posted a year-on-year increase in sales. Factors included higher sales of materials-related machinery, such as crushers, screens, and grinding mills for an intermediate storage facility (Futaba-machi, Futaba-gun, Fukushima Prefecture), as well as steady sales of belt conveyors for construction of the Tokyo Gaikan Expressway and cargo handling equipment for a large-scale project involving construction of an international bulk terminal at the Port of Onahama. We also booked sales from a new order for belt conveyors for an intermediate storage facility (Okuma-machi, Futaba-gun, Fukushima Prefecture). Consequently, segment sales increased 13.2% year on year, to ¥17,971 million, and operating income jumped 107.9%, to ¥2,089 million.





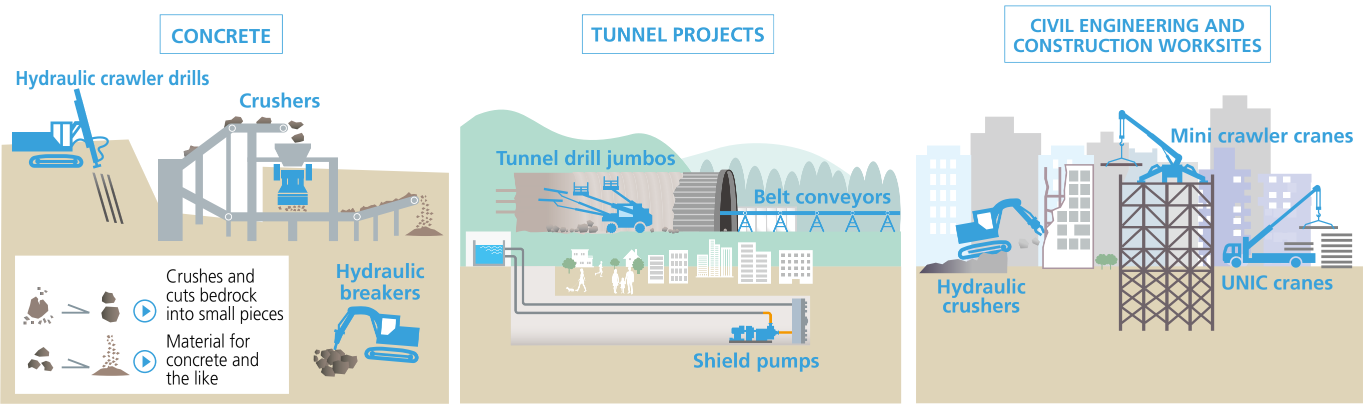
Going forward, we will continue working to reinforce our engineering strengths and expand the foundation of our business in the domestic market, transitioning from a simple equipment manufacturer to a strategic partner for our customers. In pumps and materials-related machinery, we will strengthen our core sales capabilities, and in the contractor business we will enhance our consulting-based sales capabilities to attract new orders.


Roll crusher


Belt conveyor installation work (Tokyo Gaikan Expressway)


Belt conveyor installation work (Onahama)

Machinery Business: Priority Fields and Domestic Market Share



To mine for gravel and limestone, which are raw materials for concrete, we supply hydraulic crawler drills that are used to drill holes in rock, in which gunpowder is inserted for blasting. We also have hydraulic breakers, which are used to break large rocks into small pieces, and crushers and screens, used at plants to achieve the desired rock sizes. These products contribute to demand for concrete in various areas.

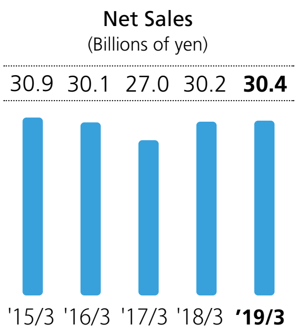
We develop and manufacture tunnel drill jumbos, which are used to create openings for loading gunpowder needed for rock blasting in mountain tunnel projects. We also develop and make belt conveyors for transporting large amounts of earth and sand, as well as shield pumps, which use water to pump excavated earth and sand in underground tunnel projects. Here, our drilling and wastewater treatment technologies, amassed through mine development, come to the fore.

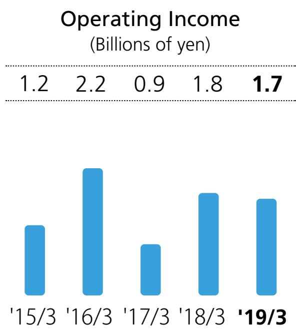
A single UNIC crane can transport and unload building materials and the like. In addition to UNIC cranes, we offer mini crawler cranes, which can operate independently in places inaccessible by truck, and hydraulic crushers that play a major role at demolition sites. Our construction machines feature exceptional functionality, operability, and safety and are also environmentally friendly.

Rock Drill Machinery

The Rock Drill Machinery segment reported increased sales on the back of healthy domestic shipments of tunnel drill jumbos, as well as higher demand for hydraulic breakers, hydraulic crushers, and hydraulic crawler drills stemming from steady construction investments. We also enjoyed growth in overseas sales thanks to steady shipments of hydraulic breakers and hydraulic crawler drills in North America, although overseas sales outside of North America decreased. Consequently, sales in the Rock Drill Machinery segment edged up 0.6%, to ¥30,372 million, and operating income decreased 5.2%, to ¥1,690 million.

Going forward, we will continue expanding earnings in both the flow business and stock business by strengthening our LCS capabilities. To reinforce our revenue base for drill products, we will work to upgrade our domestic service support system and establish a solid overseas sales service network. In fiscal 2020, we have launched a standard installation service for equipment used to control the operations of hydraulic crawler drills shipped in Japan. Analyzing the status of operational systems will help reduce equipment downtime and improve our customers' drilling operations and work efficiency.






Hydraulic crawler drills

Global Market Share
30%

Japanese Market Share
65%


Hydraulic crushers

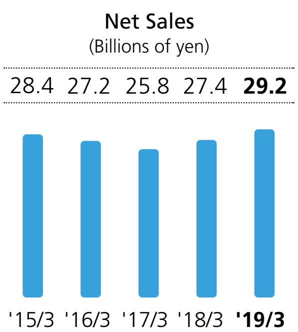
Japanese Market Share
40%

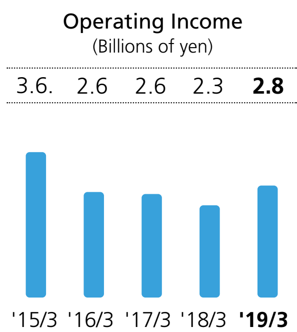

Hydraulic breakers

UNIC Machinery

In the UNIC Machinery segment, we enjoyed an increase in domestic sales thanks to higher shipments of mainstay UNIC cranes in the wake of a partial revision of mobile crane structural standards enacted in March. Healthy shipments of mini crawler cranes and unit carriers also contributed to revenue. Meanwhile, overseas sales increased on the back of steady shipments of UNIC cranes, mainly in China, and mini crawler cranes in Europe and North America. Accordingly, segment sales rose 6.8%, to ¥29,237 million, and operating income climbed 21.5%, to ¥2,789 million.

Looking ahead, we will seek to secure stable earnings from domestic sales while expanding our stock business and boosting earnings from overseas sales. To this end, we will deploy our high-performance, high-value-added UNIC cranes to achieve differentiation and strengthen our competitiveness. We will also reorganize our overseas dealer network and reinforce our sales capabilities. In addition, we will fortify our production systems in Japan, China, and Thailand by strengthening the "mother factory" functions of the Sakura Plant, which has undergone transformation into a next-generation facility.

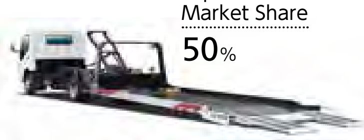




Japanese Market Share
50%


UNIC cranes

Japanese Market Share
50%


UNIC carriers

Japanese Market Share
40%


Mini crawler cranes

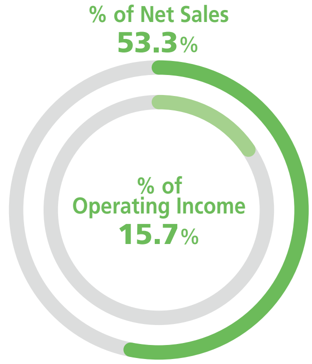
Initiatives of the UNIC Machinery Segment

Investment in Sakura Works to improve productivity and efficiency

At the Sakura Works, our domestic production base for UNIC cranes, we have been making capital investments since fiscal 2017 with the aims of further improving productivity and quality and of increasing profitability. These include investments to reform our hydraulic equipment manufacturing processes. Specifically, we have concentrated our processing machines in a newly established hydraulic machinery works within the Sakura Works, and the results have exceeded our expectations. We have also reformed our coating processes, installing cationic electrodeposition and other coating equipment to improve the quality of coating. In the future, we will also double the number of our capacity of mounting crane in our mounting processes reform and thus further enhance profitability.

The Sakura Works supplies hydraulic equipment, which is a key part of UNIC machinery, to works in Thailand and China, and also provides technical guidance. We will work to further enhance the role of the Sakura Works as a mother factory.

Minoru Nakatogawa
Director
(In charge of UNIC Machinery segment)



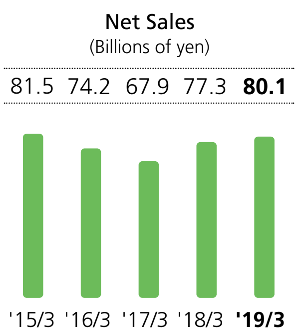
Materials

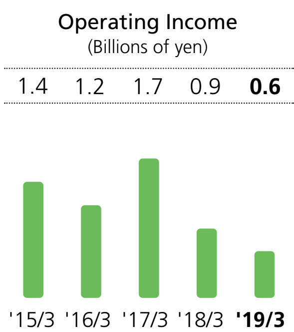
The Materials business—consisting of the Metals, Electronics, and Chemicals segments—posted a 3.0% increase in sales, to ¥92,722 million, and a 15.3% decline in operating income, to ¥1,396 million. The Materials business accounted for 53.3% of consolidated net sales and 15.7% of operating income.

Metals

After starting the fiscal year at US$6,756/ton in April 2018, the price of electrolytic copper rose to US$7,348/ton in June 2018, then trended downward. Due to concerns about intensifying trade friction, the price look set to fall below the US$6,000/ton mark, but subsequently recovered and ended the fiscal year at US$6,485/ton on March 31, 2019. The domestic price of electrolytic copper began the fiscal year at ¥760,000/ton in April 2018 and ended the fiscal year at ¥740,000/ton on March 31, 2019. Demand for copper products softened in the fourth quarter amid a slowdown in the Chinese economy and other factors, while demand for electric cable remained strong for construction and automotive applications. In fiscal 2019, the Company's sales of electrolytic copper declined due to a 4,957-ton decrease in volume sales, to 85,146 tons, but sales of electrolytic gold increased on the back of higher production volume. Meanwhile, deterioration of purchasing conditions led to a decline in segment profit. For the fiscal year, sales in the Metals segment increased 3.5%, to ¥80,068 million, and operating income declined 32.9%, to ¥582 million.

We expect purchasing conditions to further worsen as the supply-demand situation for copper concentrate tightens. Meanwhile, equipment at our smelters is aging and capital expenditures to address environmental issues are rising, making it difficult to generate earnings. Nevertheless, we will continue striving to enhance earnings by managing our copper smelting and refining business steadily and establishing an optimal production and distribution system with an emphasis on profitability.






Electrolytic copper


Hibi Kyodo Smelting Co., Ltd.


Gibraltar Copper Mine in Canada


Onahama Smelting and Refining Co., Ltd.

Copper Prices and Foreign Exchange Rates

	2015/3	2016/3	2017/3	2018/3	**2019/3**
LME copper price (average; US$/ton)	6,554	5,215	5,154	6,444	**6,341**
JPY rate per US$ (average for fiscal year)	109.93	120.13	108.42	110.85	**110.91**

Copper Production and Sales Volume*

	2015/3	2016/3	2017/3	2018/3	**2019/3**
Copper production volume (tons)	90,447	86,466	84,062	88,004	**81,346**
Copper sales volume (tons)	96,675	94,327	91,294	90,104	**85,146**

* Furukawa Metals & Resources Co., Ltd.

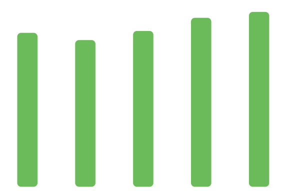
Electronics

In the fiscal year under review, sales of high-purity metallic arsenic—a mainstay product in this segment—benefited from ongoing healthy demand for compound semiconductors, a major application for that material. Toward the end of the fiscal year, however, a softening of demand caused total sales to decline. Meanwhile, sales of scintillator crystal products were bolstered by healthy demand for crystals in individual semiconductor devices. As a result, the Electronics segment posted a 3.5% increase in sales, to ¥6,527 million, and a 23.6% jump in operating income, to ¥408 million.

Looking ahead, we will continue striving to capture steady income from high-purity metallic arsenic and scintillator crystal products. At the same time, we will aim to reinforce our earnings structure by enhancing the appeal of such strategic products as coils, aluminum nitrides, and optical components.

Net Sales
(Billions of yen)

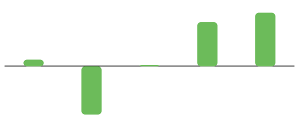
5.7	5.5	5.8	6.3	**6.5**



'15/3 '16/3 '17/3 '18/3 **'19/3**

Operating Income (Loss)
(Billions of yen)

0.1	(0.4)	0.0	0.3	**0.4**



'15/3 '16/3 '17/3 '18/3 **'19/3**

Global Market Share
60%
Japanese Market Share
90%

High-purity metallic arsenic—high-purity gallium arsenide semiconductor materials used in mobile phones and other electronic devices, red laser diodes, and LEDs

Coils used in automobile electronic control devices

Owing to its excellent thermal conductivity, thermal radiation, and electrical insulation properties, aluminum nitride is a basic material used in semiconductor device fabrication components and substrates.

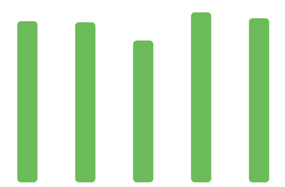
Chemicals

In fiscal 2019, we reported a year-on-year decrease in sales of cuprous oxide due to a recoil in demand for its use in marine antifouling paint, a mainstay application, following the enactment in September 2017 of regulations under the Ballast Water Management Convention. Meanwhile, sales of sulfuric acid increased due to a price revision in the second half of the period. As a result, sales in the Chemicals segment slipped 3.4%, to ¥6,127 million, and operating income declined 9.8%, to ¥407 million.

Going forward, we will work to expand income from cuprous oxide and other existing products and swiftly commercialize and foster newly developed products, such as metallic copper powder.

Net Sales
(Billions of yen)

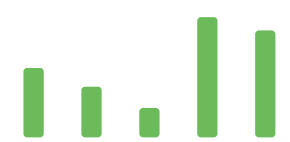
6.0	6.0	5.3	6.3	**6.1**



'15/3 '16/3 '17/3 '18/3 **'19/3**

Operating Income
(Billions of yen)

0.3	0.2	0.1	0.5	**0.4**



'15/3 '16/3 '17/3 '18/3 **'19/3**

Japanese (Production) Market Share
40%

Cuprous oxide is a red powdery substance used to prevent biofouling on the underside of marine vessels.

Cupric oxide used for copper plating

Sulfuric acid production plant

Real Estate and Others

Real Estate

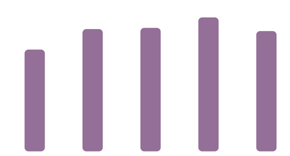
In the Real Estate category, tenants have been vacating the Furukawa Osaka Building ahead of that building's scheduled closure at the end of December 2019. In addition, revenue from our rental business associated with the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2) declined due to a decrease in floor space occupied by large tenants. Accordingly, category sales decreased 10.2% year on year, to ¥2,999 million, and operating income declined 13.1%, to ¥1,164 million.

We will continue making effective use of real estate owned by the Group while securing stable earnings from the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2).

Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2)

Net Sales
(Billions of yen)

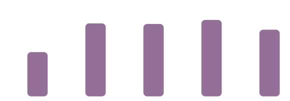
2.5	3.0	3.1	3.3	**3.0**



'15/3 '16/3 '17/3 '18/3 **'19/3**

Operating Income
(Billions of yen)

0.8	1.3	1.3	1.3	**1.2**



'15/3 '16/3 '17/3 '18/3 **'19/3**

Topics

Strengthened Hydraulic Breaker Maintenance Services in Japan

In the Rock Drill Machinery segment, we started providing maintenance services for hydraulic breakers in Japan's Tohoku and Kansai regions in order to expand and strengthen our stock business. By broadening our independent maintenance services in this way, we will strengthen our LCS capabilities and contribute greatly to earnings growth in both our flow business and stock business. Hydraulic breakers, which are attached to hydraulic excavators, are widely used in construction and civil engineering sites, such as quarries and limestone mines. Although we have the top domestic market share of around 40% (according to in-house research), we will step up post-delivery support for customers to further enhance our position in the market.

Hydraulic breaker

Reinforced Product Lineup to Meet Demand for Demolition

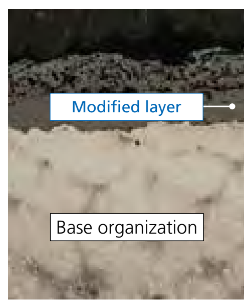
In the Rock Drill Machinery segment, we developed and launched super-large hydraulic breakers and large-scale hydraulic crushers for use in various types of demolition projects. These include demolition of buildings as part of Japan's urban redevelopment, demolition of large manufacturing plants, and demolition of bridges and other aging infrastructure. Such large-scale demolition projects require stronger and more destructive demolition equipment. Our "Fxj1070" super-large hydraulic breaker, which has the greatest striking force in our lineup, features improved durability and low noise for reduced worker fatigue. For demolition of Steel-frame Reinforced Concrete (SRC) structures, we also developed the "Vz-7" large-scale hydraulic crusher, featuring improved strength and durability, as well as enhanced wear resistance for longer life. Both of these new machines will facilitate efforts to reduce maintenance costs, improve operability and work efficiency, and shorten work periods.

Hydraulic crusher "Vz-7"

Hydraulic breaker "Fxj1070"

Started Sales of Special Parts for Aluminum Low-Pressure Casting Machines for Automakers

In the Industrial Machinery segment, we began selling "Tokénite Downsprue Bush," a consumable component for use in low-pressure casting machines. The bush is made of Tokénite, a special steel that suppresses elution of iron into molten aluminum. The high heat-retention property of Tokénite prevents the temperature of molten aluminum from dropping and minimizes casting defects around the downsprue, which helps improve the casting quality rate of engine parts. Amid efforts to reduce vehicle weight for better fuel efficiency and to develop eco-friendly cars, there are calls for aluminum casting parts to be thinner and stronger. For this reason, we anticipate steady demand for Tokénite Downsprue Bush as a special component that suppresses elution of iron into molten aluminum during the manufacturing process.



Surface material structure of Tokénite

Tokénite Downsprue Bush

Completed Lineup of UNIC Products That Comply with New Standards

In the UNIC Machinery segment, we have been promoting sales of the "G-FORCE" series of UNIC cranes. This series features models with higher safety levels that comply with revised structural standards for mobile cranes, enacted by the Ministry of Health, Labour and Welfare. In October 2018, we achieved compliance for small, medium-sized, and large trucks, and by spring 2019 all of our super-large UNIC cranes, mini crawler cranes, and small truck-mounted UNIC cranes were compliant with the revised standards. We then started sales of these cranes, which are now equipped with rated load indicators as standard. As a result, we have completed our full lineup of safety-enhanced models that meet the revised structural standards for mobile cranes.

Mini crawler crane

UNIC crane

The Furukawa Company Group's ESG Activities

Since its founding in 1875, the Furukawa Company Group has learned a lot of lessons from its experience at the Ashio Copper Mine, which had a history of pollution. The experiences and efforts of our early pioneers have paved the way for our approach to ESG and the SDGs today. Promoting an integrated thinking that combines our business and CSR activities ensures that we carry on the DNA cultivated by our pioneers. At the same time, it enables us to realize a sustainable society and continue advancing as a company.

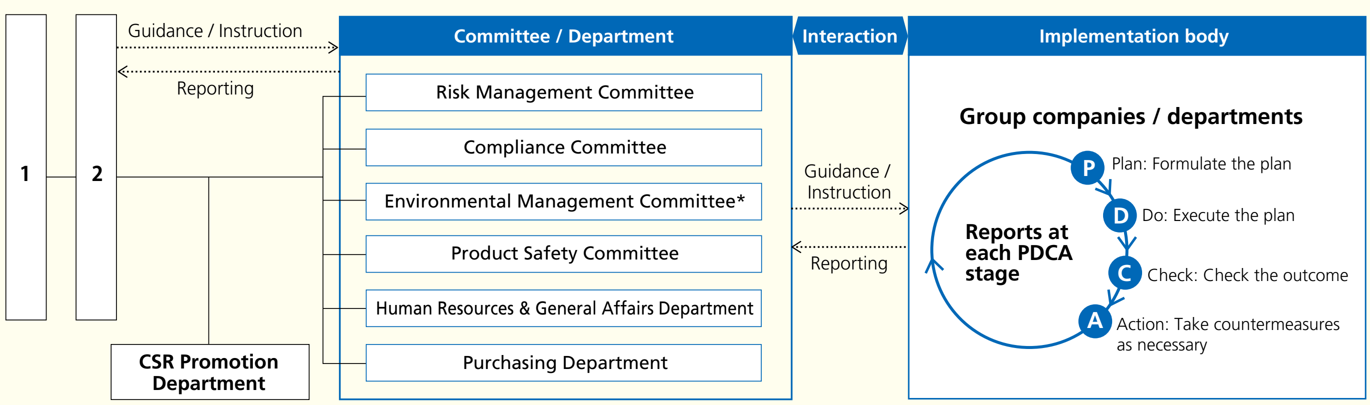
Approach to ESG

The Group engages in corporate activities based on an integrated thinking that balances its business and CSR activities. To make it easier for investors and other shareholders to understand our CSR activities, we have reorganized them into three parts: environment (E), social (S), and governance (G). Our environmental and social activities are described in our CSR Report, and our governance activities are covered in our Securities Report and our Corporate Governance Report.

CSR Promotion System

To powerfully promote CSR activities, we established the CSR Promotion Meeting, which spearheads efforts to clarify our responsibilities to stakeholders, identify priority issues to be addressed, and actively engage in CSR activities. The CSR Promotion Meeting is chaired by the president, and meetings are held at the CSR Promotion Department. The Meeting discusses a whole range of issues related to CSR, and its main roles include formulation of basic policies, promotion systems, and action plans for CSR activities, as well as verification and evaluation of activity status and planning of priority measures. The CSR Promotion Meeting consists of four committees (Risk Management Committee, Compliance Committee, Environmental Management Committee*, and Product Safety Committee) and two departments (Human Resources & General Affairs Department and Purchasing Department). The Meeting collaborates with each Group company and the headquarters, which is the executive division for CSR activities, to advance a PDCA cycle of planning, implementation, evaluation, and improvement.

CSR Promotion System



1. President and Representative Director
2. CSR Promotion Meeting

* The name of the committee was changed to the Environment & Safety Management Committee following the renaming of the department responsible for the committee to the Environment & Safety Management Department on July 1, 2019.

Relationships with Stakeholders

In the course of strengthening CSR activities and demonstrating our Management Philosophy, we have identified our stakeholders as follows: Customers, business partners, shareholders and other investors, employees, local communities, and the global environment. Our quest is to clarify our responsibilities to each stakeholder group and maintain close communications, in order to build relationships of trust and thus maximize corporate value.

Stakeholder	Responsibility
Customers	We shall provide customers with high-quality products and services in order to increase satisfaction levels.
Business partners	We shall build mutually beneficial relationships conducive to harmonious coexistence through stable procurement activities based on the principles of fairness and economic rationality.
Shareholders and other investors	We shall work to maximize corporate value through communications focusing on timely, appropriate information disclosure and IR activities.

Stakeholder	Responsibility
Employees	We shall create safe, healthy, and motivating workplaces in which our diversified human resources can excel while adopting appropriate evaluation standards and fair incentives.
Local communities	We shall build and maintain favorable relationships of trust by pursuing social contribution activities aimed at harmonious coexistence with local communities.
Global environment	We shall protect biodiversity by developing environmentally friendly technologies and products while minimizing the environmental impact of our activities through savings of energy and resources and reduction of waste.

CSR Goals

Our CSR activities are designed to help the Group achieve its medium-term CSR goals for fiscal 2020 and realize its ideal CSR image envisioned for fiscal 2026. We will also promote ongoing medium-to-long-term initiatives aimed at achieving the SDGs set for 2030 by the United Nations General Assembly.

2019

Medium-Term CSR Targets (Fiscal 2018–2020)

Risk Management Committee
- Improve response capabilities in event of a crisis
- Examine countermeasures for crises other than earthquakes

Compliance Committee
- Increase opportunities for compliance training
- Implement compliance checks

Environmental Management Committee
- Promote environmental protection and health and safety activities
- Rigorously manage abandoned mines

Product Safety Committee
- Improve product and service quality
- Improve safety

Human Resources & General Affairs Department
- Develop human resources
- Promote work–life balance
- Promote diversity

Purchasing Department
- Enhance management (QCD*1 + CSR) at major business partners
- Foster partnerships with suppliers
- Promote CSR-focused procurement

2025

CSR2025 Goals (Fiscal 2021–2026)

Risk Management Committee
- Establish a Groupwide risk management system

Compliance Committee
- Ensure that all employees have a high awareness of compliance that resonates with the international community

Environmental Management Committee
- Promote environmental and safety activities (Reduce environmental impacts, ensure no accident and disaster in environment and safety, promote biodiversity, publish environmental safety activity outcomes, and continue safety-oriented operations at abandoned mines)

Product Safety Committee
- Aim for the top category in improving Furukawa product brand strength

Human Resources & General Affairs Department
- Utilize diverse human resources and promote diversity in workstyles
- Create motivational workplace environments where individual employees can fully demonstrate their abilities to create new value

Purchasing Department
- Pursue QCD*1 based on CSR-oriented procurement aimed at sustainable manufacture and sales of products trusted by customers

2030

Developing a Sustainable Society by 2030

In September 2015, the United Nations General Assembly adopted its Sustainable Development Goals (SDGs) and presented an action plan for human and environmental prosperity. Consisting of 17 goals and 169 targets, the SDGs clarify priority global-scale issues related to sustainable development and are intended to encourage global-scale initiatives to address those issues. At the Furukawa Company Group, we will strive to help achieve the SDGs, which were established with international community cooperation, through our business activities and efforts to full our corporate social responsibilities.

Identifying Priority Issues

The Group identifies important issues and reinforces its CSR activities to ensure that its business activities contribute to society in the broader sense. To identify CSR priority issues, we selected important CSR-related issues from the perspectives of both stakeholders and the Group, then analyzed and evaluated the importance of those issues and finalized the Group's CSR priority issues.

Steps to Identify CSR Priority Issues

Extract issues → Evaluate importance to stakeholders and the Group → Analyze the importance of issues → Decide and approve priority issues

Responses by Business Process

The business activities of the Furukawa Company Group have an impact on society and the environment across all processes in the supply chain, and the magnitude of impact is increasing as business activities advance. We are working to address CSR issues in each process to help resolve various social problems while considering the aforementioned impact.

Business process	Development and design	Procurement	Manufacturing	Sales and service	Disposal
Main activities [Overall business process] • Ensure rigorous compliance • Promote diversity • Promote work–life balance • Assure occupational health and safety • Promote employee health management	• Development and design of products that take environment, safety, and quality into consideration • Confirmation of design review (DR) implementation status • Training of FMEA*2 leaders	• Promoting CSR-oriented procurement activities • Providing technical guidance to suppliers • Pursuing QCD*1 based on CSR-oriented procurement	• Ensuring quality and safety • Ensuring stable supply of products • Promoting global warming countermeasures and energy conservation measures associated with business activities • Strengthening the safety management system of chemical substances • Pursuing activities aimed at reducing equipment, environmental, and occupational accidents	• Improving follow-up services • Pursuing customer satisfaction • Producing quality assurance guidelines • Disseminating information on eco-friendly products • Promoting effective transportation system • Conducting risk assessment of products to ensure customer safety	• Reducing total emissions (including waste) and/or converting into valuable resources

* 1. QCD : Abbreviation for quality (Q), cost (C), and delivery (D)
* 2. FMEA : Abbreviation for Failure Mode and Effects Analysis. A systematic analysis method that predicts the causes of quality problems and prevents them at the design and process planning stage.

Corporate Governance

The Group's basic corporate governance policies are to increase management transparency, continue reforming the corporate structure and build an efficient management system, generate stable profits to increase corporate value, and convey benefits to shareholders and other stakeholders. Under this basic policy, each of the Group's operating companies assumes clear asset and profitability management responsibilities while maintaining unity as a Group. We aim to promote agile management and provide products and services that satisfy our customers and maximize the corporate value of the entire Group.

Overview of Corporate Governance System and Reasons for Its Adoption

The Company has adopted a company system with a Board of Directors and an Audit & Supervisory Board to supervise business execution. In addition, we have appointed outside directors to ensure the validity of decision-making and the objectivity and transparency of management. The Audit & Supervisory Board Members consist of managers of other companies and persons with knowledge of financial accounting, who use their specialized knowledge and experience to give advice to management and check the status of operations. We consider that management oversight is functioning effectively under the current system.

Board of Directors

The Board of Directors, chaired by President Miyakawa, meets once a month and other times as necessary, and supervises the business execution of the entire Group as a supervising body. Since June 27, 2019, the Board has had nine members, including three outside directors.

Executive Officer System

The Company has adopted an executive officer system in order to separate the management oversight and business execution functions, speed up decision-making, and clarify responsibilities. Executive officers perform their tasks according to business plans determined by the Board of Directors, and report the status of business execution as appropriate to the Board of Directors and the Management Committee. Since June 27, 2019, there have been 16 executive officers, including four serving concurrently as directors.

Management Council and Management Committee

The Management Council sets the Group's fundamental management policies and strategies and makes decisions on important matters. There is also a Management Committee, which meets monthly to discuss the business execution of the Company and its core business companies, and provides consideration and direction. Decisions made by the Management Council on important management issues, especially amount and content, are also taken up for discussion by the Board of Directors.

Audit & Supervisory Board

The Audit & Supervisory Board was chaired by Minoru Iwata, a full-time member. It holds meetings in a timely manner to discuss and decide on audit policies, methods of auditing business decisions and the status of financial assets, and other matters related to the execution of duties by members. Since June 27, 2019, the Company has had four Audit & Supervisory Board members (including two outside members).

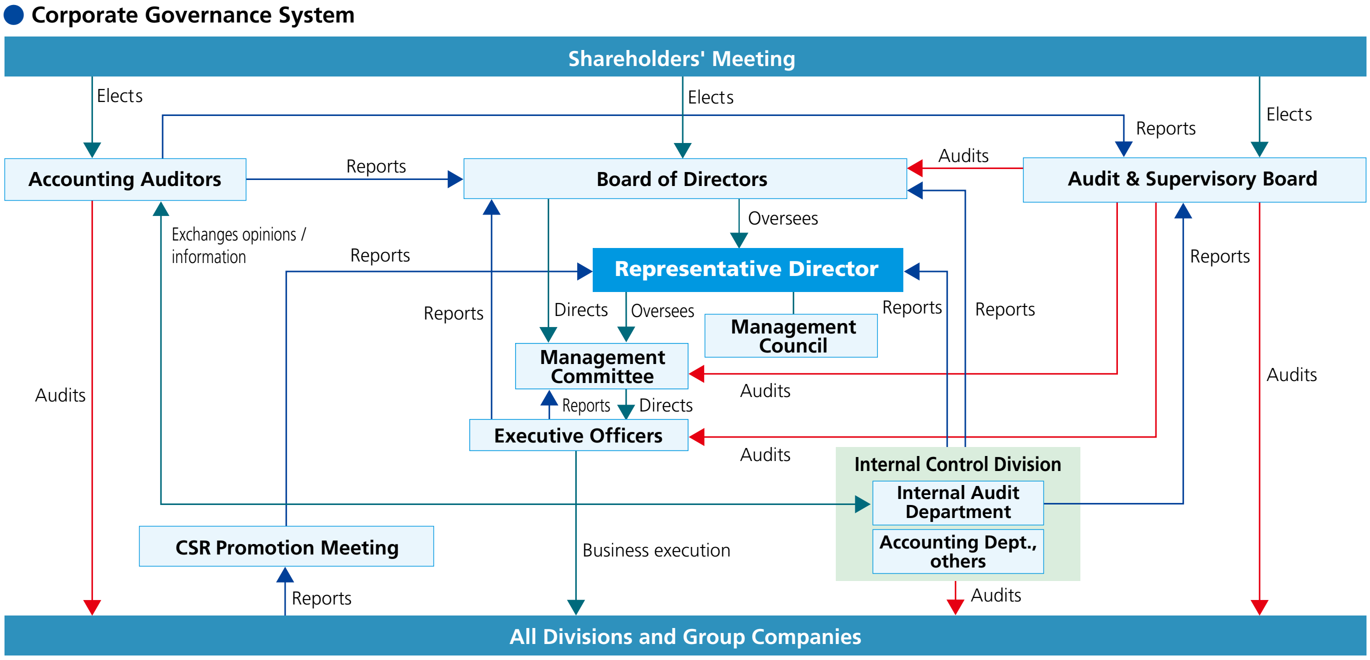
Internal Control Division

Internal audits are implemented by the Internal Control Division, centered on the Internal Audit Department. The Internal Audit Department consists of five members, including its General Manager.

Nomination & Remuneration Committee

In November 2018, the Company established the Nomination & Remuneration Committee, consisting mainly of outside independent directors. Serving as an advisory body to the Board of Directors, the Committee discusses matters related to personnel and remuneration for directors and Audit & Supervisory Board Members.

Corporate Governance System



Evaluating the Effectiveness of the Board of Directors

In order to analyze and evaluate the effectiveness of the Board of Directors, the Company conducts questionnaire-based surveys of directors and Audit & Supervisory Board members and exchanges opinions with outside officers. The results of these activities are reported to the Board of Directors for discussion.

In fiscal 2019, we noticed an overall improvement trend compared with fiscal 2018. To achieve further improvement, we confirmed the need for action in several areas. These include stepped-up exchanges of opinions about information dissemination aimed at improving shareholder value, enhancing reports on human resource development, compliance, and new products and technologies, and fuller discussion about medium-term business plans. By providing timely information, we will continue stimulating discussion at Board of Directors' meetings to further enhance the effectiveness of the Board.

Internal Control System

The Group has a Basic Policy on Establishing an Internal Control System, which covers corporate governance, risk management, compliance, and internal audits. In addition to ensuring efficient and appropriate business execution, the Policy stipulates that internal control shall be handled with an emphasis on CSR. Moreover, the Group makes constant reassessments in an effort to build an effective and efficient internal control system that ensures the appropriateness of operations.

Outside Directors and Outside Audit & Supervisory Board Members

The Company appoints outside directors and outside Audit & Supervisory Board members with abundant experience and expertise in various fields, as well as impartial perspectives. This is to ensure the appropriateness of the Company's management decisions and the effectiveness of oversight and audits of management. Since June 27, 2019, the Company has had three outside directors and two outside Audit & Supervisory Board members.

In addition, the Company stipulates that outside officers (outside directors and outside Audit & Supervisory Board members, including candidates) do not fall under the following criteria concerning independence. Outside officers who meet such criteria are designated and registered as independent directors / auditors under the rules of the Tokyo Stock Exchange. Since June 27, 2019, the Company has had four independent officers.

Independence standards for outside officers
(Must not meet the following criteria)

(1) Executive directors, and employees of the Group
(2) Business partners of the Group (those who provide products or services mainly to the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the Group in the most recent fiscal year of the business partner) or executives of business partners
(3) Main business partners of the Group (those who are provided products or services by the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the Group in the most recent fiscal year of the Group) or executives of business partners
(4) Executives of financial institutions that are major lenders to the Group (lenders whose loan amounts were equivalent to more than 2% of the Group's consolidated total assets at the most recent fiscal year-end)
(5) Individuals earning ¥10 million or more per year from the Group in monetary or other benefits as specialists (including consultants, accountants, and lawyers) in addition to executive remuneration, or individuals employed by companies earning ¥100 million or more per year from the Group
(6) Individual shareholders who hold 10% or more of the Company's voting rights (or executive directors, executive officers, or employees of corporations that hold 10% or more of the Company's voting rights)
(7) Individuals who have fallen under (1) to (6) above in the past three-year period
(8) Relatives (second degree or closer) of persons who fall under (1) to (7) above

Remuneration for Directors and Audit & Supervisory Board Members

Remuneration for directors of the Company is determined upon discussion by the Board of Directors based on performance and other matters in accordance with director remuneration standards set by the Nomination & Remuneration Committee. Specific remuneration for each director is decided by the president and representative director upon resolution by the Board of Directors. Directors (excluding outside directors) are required to contribute part of the fixed portion of their remuneration to the Executive Shareholding Association (as a stock acquisition-type compensation mechanism) for a medium-to-long-term incentive.

Remuneration for Audit & Supervisory Board members is determined through consultation between such members.

● Total Remuneration by Officer Type

Officer type	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of eligible officers
		Fixed	Performance-linked compensation	Retirement benefit	
Directors (Excluding outside directors)	118	118	—	—	6
Audit & Supervisory Board members (Excluding outside members)	16	16	—	—	2
Outside directors	28	28	—	—	3
Outside Audit & Supervisory Board members	16	16	—	—	2
Total	**180**	**180**	**—**	**—**	**13**

Strategic Shareholdings

The Company owns strategic shareholdings for the purpose of improving corporate value over the medium and long terms by maintaining and strengthening relationships with important business partners. Each year, the Board of Directors examines each stock in the Company's strategic shareholdings and verifies the appropriateness of continual ownership after comprehensive consideration—both qualitative and quantitative—of various factors, including purpose of holding and associated benefits and risks. The Company then moves to sell shares deemed by the Board not to be meaningful.

Message from an Outside Independent Director

Two years have passed since I assumed office as an outside independent director. In the meantime, I have been working as a member of the Board of Directors from the perspective of a stakeholder representative. I am particularly aware of my role in checking to ensure that the Board of Directors is functioning soundly and the Company is practicing appropriate corporate governance.

The Board of Directors engages in discussion until a sufficient mutual understanding between officers is reached, giving courteous and polite explanations to address doubts and questions without impeding the speed of decision-making. In some cases, the Board meets on multiple occasions to ensure proper discussion. I applaud the fact that this is being practiced effectively as a matter of course.

The Company is focusing heavily on the Machinery business. We have steadily improved machine design, manufacturing, and inspection technologies, expanded and refined our lineup, and broadened our domestic and overseas sales networks and alliances. The Machinery business has thus grown into a core part of our operations, which I believe is the result of the preparedness and efforts of past and present management. Leveraging this amassed infrastructure, the Group has been united in its quest to achieve the challenging revenue targets of its long-term vision, which ends in fiscal 2026. Achieving these targets will be a major turning point for our future. To reach a new dimension, however, we need to strengthen our sales capabilities in the Machinery business. This, in turn, requires us to address two enduring and urgent priorities: expand our overseas bases and develop human resources who can perform internationally.

When I was president of my first company, I navigated the business through tumultuous times that included the global financial crisis, the Great East Japan Earthquake, and the China shock. I believe this experience was one of the reasons I was invited to become an outside independent director. I will utilize this experience, as well as my knowledge on resources and smelting, to serve as a representative of stakeholders. At times, I may need to push the executive team and make them consider differing opinions, but I am committed to helping the Group achieve sustainable development while paying close attention to the soundness of corporate governance.

Tatsuya Tejima
Outside Independent Director

Directors and Audit & Supervisory Board Members

(As of June 27, 2019)

Naohisa Miyakawa

President and Representative Director

As the Company's President and Representative Director, Mr. Miyakawa has demonstrated strong leadership and has been a driving force for management. He has promoted various management reforms aimed at realizing Vision for 2025 ("FURUKAWA Power & Passion 150") and Medium-Term Business Plan 2019. For these reasons, Mr. Miyakawa has been appointed as a director.

Kiyohito Mitsumura

Managing Director

After serving in important positions at the Company, Mr. Mitsumura was appointed President and Representative Director of Furukawa Rock Drill Co., Ltd. Since then, he has led the Group's Rock Drills business and contributed to enhancement of corporate value. For these reasons, Mr. Mitsumura has been appointed as a director.

Masahiro Ogino

Director and Managing Executive Officer

With a wealth of experience and track record in the Materials business and overall management, Mr. Ogino has led the Group's Materials business since taking office as director. He has also helped enhance corporate value in wide-ranging ways, including through business plans, public relations, and investor relations. For these reasons, Mr. Ogino has been appointed as a director.

Tatsuki Nazuka

Director and Senior Executive Officer

Mr. Nazuka has been in the technology division for many years and has specialized knowledge and a track record in engineering and product development. Since June 2017, he has served as general manager of the Development Division (presently general manager of Technology Division) and contributed to technological strategies and development. For these reasons, Mr. Nazuka has been appointed as a director.

Hiroyuki Sakai

Director and Senior Executive Officer

Mr. Sakai has held important positions at the Company and other Group Companies and has vast experience and knowledge in the administrative field. As general manager of the Business Process Re-Engineering Department since June 2017, moreover, he has helped standardize and enhance the efficiency of operations, increase productivity, and reorganize business processes. For these reasons, Mr. Sakai has been appointed as a director.

Minoru Nakatogawa

Director and Senior Executive Officer

After many years in the legal division, Mr. Nakatogawa has held important positions at the Company and other Group companies. As President and Representative Director of Furukawa UNIC Corporation since June 2018, he has led the Group's UNIC Machinery business and contributed to enhancement of corporate value. For these reasons, Mr. Nakatogawa has been appointed as a director.

Tatsuya Tejima

Outside Independent Director

Mr. Tejima has been engaged in corporate management for many years and accumulated abundant experience and wide-ranging knowledge as a manager. Accordingly, he is able to provide useful advice to and appropriately supervise the Company's management from an objective and independent perspective. For these reasons, Mr. Tejima has been appointed as an outside director.

Yoichi Mukae

Outside Independent Director

For many years, Mr. Mukae held important positions at the Ministry of Economy, Trade and Industry and, since his retirement from government, has been involved in management of private companies. In the process, he has gained wide-ranging knowledge and experience. He also has excellent personal traits and insights and is able to provide useful advice to and appropriately supervise the Company's management from an objective and independent perspective. For these reasons, Mr. Mukae has been appointed as an outside director.

Kazumi Nishino

Outside Independent Director

As an associate professor at Hitotsubashi University Graduate School, Ms. Nishino specializes in management strategy theory. In particular, she has expert knowledge and a proven practical research record in such areas as business model analysis, new business creation logic, and product development management. She is also able to provide useful advice to and appropriately supervise the Company's management from an objective and independent perspective. For these reasons, Ms. Nishino has been appointed as an outside director.

Minoru Iwata

Audit & Supervisory Board Member

Mr. Iwata has been in the accounting division for many years and been involved in management of the Company as director since 2013. He has gained a wealth of knowledge in finance and accounting and extensive experience in general management and is able to conduct objective and appropriate audits. For these reasons, Mr. Iwata has been appointed as an Audit & Supervisory Board member.

Kazuo Inoue

Audit & Supervisory Board Member

Mr. Inoue has been in the accounting division for many years and also been involved in management as director of another Group company and executive officer of the Company. He has gained a wealth of knowledge in finance and accounting and extensive experience in general management and is able to conduct objective and appropriate audits. For these reasons, Mr. Inoue has been appointed as an Audit & Supervisory Board member.

Tetsuro Ueno

Outside Independent Audit & Supervisory Board Member

Mr. Ueno has been engaged in corporate management for many years and gained abundant experience and wide-ranging knowledge as a manager. He is able to conduct effective audits from a perspective that is independent of management. For these reasons, Mr. Ueno has been appointed as an outside Audit & Supervisory Board member.

Masayuki Yamashita

Outside Audit & Supervisory Board Member

Mr. Yamashita has a wealth of experience at financial institutions and a track record as outside corporate auditor at other companies. He is able to conduct effective audits from a perspective that is independent of management. For these reasons, Mr. Yamashita has been appointed as an outside Audit & Supervisory Board member.

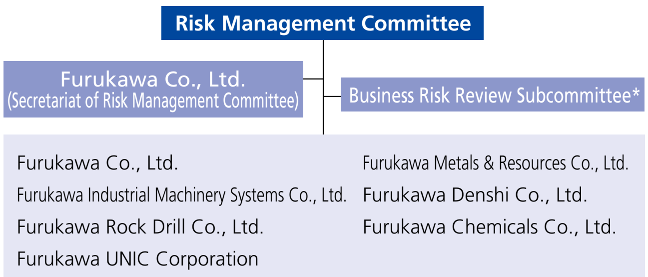
Risk Management

The Group recognizes managing the risk of losses as an important part of its operations. Accordingly, we constantly monitor and examine the risk status of our business activities and work to prevent risks before they occur, as well as address and correct any risks that materialize.

Risk Management System

The Group's business activities could potentially be badly impacted by various risks related to such factors as accidents, natural disasters, and epidemic diseases. To protect human life and property and minimize damage and loss when such risks materialize, the Group, spearheaded by its Risk Management Committee, is working to establish and strengthen its risk management system.

Risk Management System

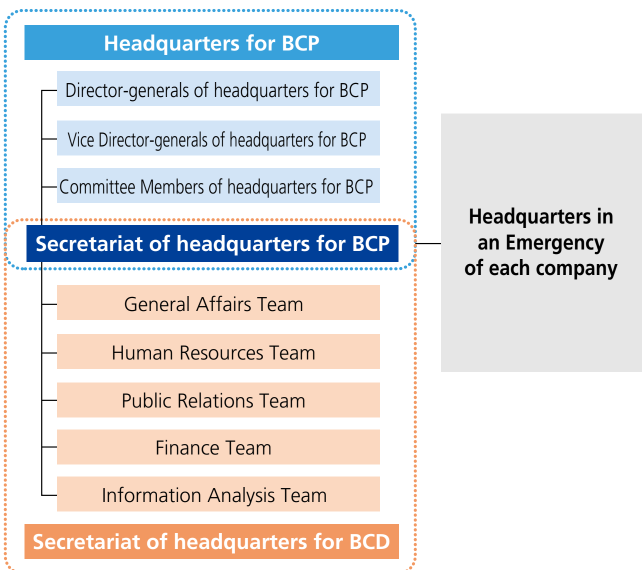


* Group companies represented in the Business Risk Review Subcommittee are the same as those represented in the Risk Management Committee.

From Business Continuity Planning (BCP) to Business Continuity Management (BCM)

We have finished our BCP reviews of core Group companies. Going forward, we will formulate BCP strategies at consolidated affiliates and step up BCM activities.

Group BCP System



Product Safety

Quality Control

The Furukawa Company Group is committed to constantly providing safe, high-quality products and services to customers. For this reason, we strive to undertake manufacturing with proper attention to product safety and reliability in order to improve customer satisfaction. This covers all processes, from development and design to procurement, manufacturing, sales, services, and disposal.

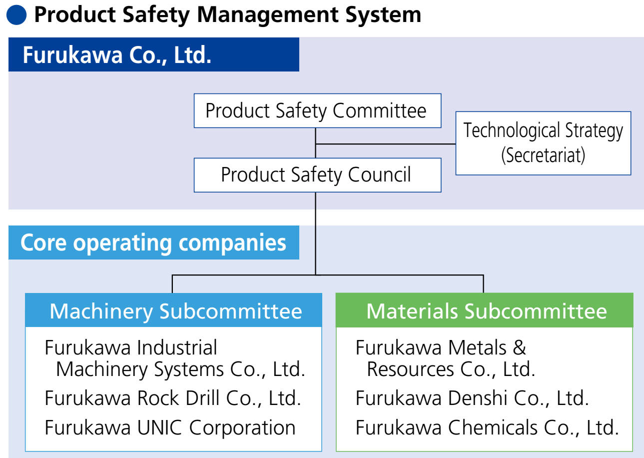
Product Safety Management System

The Furukawa Company Group strives to manufacture products that comply with regulations related to manufacturing and product quality verification and products that customers can use safely with peace of mind. These efforts are based on the Group's Product Safety Basic Policy and Product Safety Action Guidelines. Specifically, the Product Safety Committee of Furukawa Co., Ltd. holds product safety meetings attended by product safety officers of core Group member companies and has formed subcommittees to divide work between mechanical and materials systems.

The product safety meetings are aimed at improving Groupwide product safety and evaluating activities related to product safety. Attendees seek to improve product safety levels by first considering ways to improve product reliability.

In fiscal 2019, we confirmed the status of risk assessment activities that have been ongoing since the previous fiscal year with a view to preemptive prevention. We also have subcommittees consisting of members able to engage in discussion from frontline perspectives. In addition to discussions with managers of the design department and other entities not related to product quality, the subcommittees worked to raise awareness about quality management and quality assurance throughout each factory. As a result of efforts to improve product safety levels, spearheaded by the Product Safety Committee and the subcommittees, we had "zero market complaints" in Materials Subcommittee in fiscal 2019. To continue this track record in fiscal 2020, we will work to improve out quality assurance system, including highly reliable design, prevention of flow-out defective product, product procured overseas.

Product Safety Management System



Compliance

In addition to complying with laws and regulations, the Group believes it has a corporate obligation to take serious and responsible actions in terms of social and ethical aspects. To fulfill this obligation, we established the Compliance Committee, which discusses important matters concerning compliance. Matters discussed by the Committee are reported to the CSR Promotion Meeting as appropriate, reflecting efforts to share information on Groupwide compliance.

Internal Reporting System

The Group has introduced an internal reporting system for the early detection and correction of compliance violations. By establishing contact points for reports and consultation requests inside and outside (law office) the Group, we have established a system that allows wide-ranging reporting and inquiring. We also keep the names and personal information about callers in strict confidence.

When a report or consultation request comes in, the Compliance Committee conducts an investigation and takes necessary countermeasures. Regarding our internal reporting system, we post the content of our internal reporting system on our in-house portal site and distribute brochures to Group officers and employees.

Compliance Education

We issue "Compliance News" as a compliance information source to all Group officers and employees. Representatives of top management also speak about the importance and priority of compliance, reflecting our efforts to foster a corporate culture that emphasizes compliance.

In fiscal 2019, we held compliance training sessions as part of stratified training given to new recruits, mid-level employees, and newly appointed managers. We also held a compliance training session for officers and other top management personnel. In addition, we held training on specific items, such as the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

Compliance throughout the Entire Supply Chain

In order to maintain compliance as a Group, we need all parties across the entire supply chain, including suppliers, to also practice compliance with laws and regulations. With this in mind, we established "CSR Promotion Guidelines" for suppliers to help them rigorously comply with laws and regulations and practice corporate ethics.

Human Rights and Labor

(1) We shall respect human rights.
(2) We shall not become involved in child labor, forced labor, or unfair low-wage labor, whether directly or indirectly.
(3) We shall establish work environments that are free from any discrimination and harassment against employees.
(4) We shall observe labor-related laws and strive to improve our workplace environments.

Legal Compliance and Corporate Ethics

(1) We shall respect domestic and international laws and social norms.
(2) We shall not provide or receive benefits that are contrary to laws and accepted business practices.
(3) We shall not act in ways that impede fair and free competition.
(4) We shall have nothing to do with antisocial forces.
(5) We shall not infringe on the intellectual property rights of third parties.
(6) We shall establish frameworks for fraud prevention, early detection, and countermeasures.
(7) We shall not use minerals mined in conflict areas, and we shall not use raw materials that, during the production process, are connected to human rights violations or environmental destruction.

Furukawa Company Group's CSR Promotion Guidelines (excerpt)

The Furukawa Company Group's Corporate Conduct Charter

1. Providing high-quality products and services
The Group shall pursue technology development that helps to realize a sustainable society, and shall provide products and services that are satisfying to customers.

2. Harmony with the global environment
The Group shall work on reducing environmental risks and pursue corporate activities that are in harmony with the global environment.

3. Ensuring compliance
The Group shall engage in its corporate activities in a fair manner based on the ethical values expected of corporations and business persons as members of society.

4. Highly transparent corporate activities
The Group shall appropriately disclose its corporate information and engage in constructive dialogue with a wide range of stakeholders to build trust.

5. Respect for human rights
The Group shall respect the human rights of all individuals.

6. Enhancement of work environment
The Group shall establish a work environment that takes into consideration the health and safety of individuals and realize work styles that respect the diverse values of officers and employees.

7. Participation in and contribution to society
The Group shall actively participate in society and contribute to development of society.

Environmental Initiatives

Our basic approach to the environment is embodied in our Corporate Conduct Charter and our Basic Philosophy on Environmental Management. We are committed to reducing environmental risks and realizing a sustainable society in which our corporate activities are in harmony with the global environment. Based on this commitment, we formulated our Environmental Protection Action Policy and set numerical targets for environmental performance (reductions in CO_2 emissions, water consumption, waste generated, use of chemical substances, and the like) and engage in environmental protection activities accordingly.

Global Warming and Environmental Protection Initiatives

To address global warming, the Group formulated its Third Medium-Term Reduction Targets and has been working to reduce CO_2 emissions, water resource usage, waste, and the like. In the current fiscal year, we are formulating our new Fourth Medium-Term Reduction Targets.

We are also working to identify potential risks and take all possible precautions. In addition to quickly sharing risk-related information throughout the Group, we are strengthening our frontline capabilities at each production site in order to enhance and reinforce our disaster response and business continuity capabilities. To minimize impacts on society and ecosystems, meanwhile, we are promoting business activities with a greater emphasis on environmental impact reduction. These include developing environmentally friendly products and technologies, in addition to complying with various laws and regulations.

Addressing Chemical Emissions

Based on Japan's Chemical Substances Control Law, the Group works proactively to improve its control of chemical substances and takes measures to prevent environmental problems from arising. For example, we report our activities under the Pollutant Release and Transfer Register (PRTR) system to gain an understanding of the amount of chemical substances generated. We then compare this with emission data published by the national government and check the proportion of our own emissions, and reflect the results in our future management activities. In the Materials business, we appropriately manage our chemical substances by using safety data sheets (SDS) to disseminate information on the associated potential hazards.

Note: Amounts of chemical substances emitted / relocated under PRTR reporting requirements are disclosed in the Group's CSR Report 2019.

Relationship with the Mining Business

In the copper business, and particularly at mine development sites, there are concerns that resource development activities may lead to increased environmental impacts. Recognizing such concerns, we are promoting various initiatives to prevent this from happening. For example, we develop and adopt new technologies to satisfy increasingly stringent requirements aimed at minimizing impacts on ecosystems and water resources, and restoring sites to their original condition after development. In addition, our mining-related machines have been widely used in resource development and infrastructure development projects, not only in Japan but also in many countries worldwide, thus contributing to economic development. In recent years, we have been promoting products to help minimize environmental impacts at worksites through reduced CO_2 emissions, reduced noise, improved work efficiency, and the like. Although copper is a product created through resource development, it has attracted more and more attention in recent years for its specific material-based characteristics, which can be used to minimize environmental impacts. For example, it is used in the renewable energy sector to reduce CO_2 emissions and is an indispensable material in the development of electric vehicles (EVs) and infrastructure in emerging countries. Through our involvement in the copper business, therefore, we believe we are contributing to the environment and society.

Column

Ashio Copper Mine: Learn from the Past, Use in the Future

The Ashio Copper Mine, where the Group built its foundation, is said to be a source of pollution problems in Japan. However, it was also the birthplace of pollution prevention technology and a national safety campaign, Anzen Senichi (safety first). The Group has always taken a serious approach to past challenges, constantly considering the best interaction between corporations and the environment and developing pollution prevention technologies. We are addressing various challenges related to the management of suspended mines, including the Ashio Copper Mine, reflecting our basic commitment to continued operational safety. These challenges include ensuring the safety of mine wastewater treatment facilities, the safe management of dumping sites and underground mines, and the transfer of technologies related to management of suspended mines. Treatment of mine wastewater is particularly important. Heavy rain, typhoons, and other natural weather events have a major impact on the volume of drainage water containing heavy metals that emerge from the Ashio Copper Mine. To prevent such water from flowing into public waterways, we operate the Nakasai Water Treatment Plant, a mine wastewater treatment facility, 24 hours 365 days. To ensure safety at all times, moreover, we conduct systematic education programs for employees and work to prevent environmental accidents.

Anzen Senichi (safety first) sign at the entrance of the Ashio Copper Mine


The Nakasai Water Treatment Plant operates 24 hours a day.

Environmental Management

Environmental Management Committee*

Important items relating to environmental conservation are put forward and discussed by the Environmental Management Committee, in which top personnel from each production base participate. At the Committee meeting held in April 2019, the result of the evaluations of environmental and safety activities for fiscal 2019 and the targets of environmental and safety activities for fiscal 2020 were reported, discuss, and approved. The results of the Third Medium-Term Reduction Targets were also reported and discussed, following which the Committee talked about the Fourth Medium-Term Reduction Targets.

* On July 1, 2019, the Committee's name was changed to the Environment & Safety Management Committee. This was because the name of the body responsible for the Committee was changed to the Environment & Safety Management Department.

Environmental and Safety Audits

Each year, we conduct regular annual Environmental and Safety Audits. The purpose of these audits is to enhance "corrective measures" for accidents and disasters that occur, and to focus on "preventive measures" before they occur. The specific goals for the audit conducted in fiscal 2019 were to resolve issues cited for correction, improve environmental performance (CO_2 emissions, water resource usage, total waste generated, and the like), support efforts in various locations to eliminate accidents and disasters, and help improve the quality of day-to-day operations.

We are also promoting activities to ensure the ongoing safety of workplace environments in the event of serious accident or multiple disasters. These include providing guidance in formulating preventive measures based on proper discussion of potential causes with local staff.

Environmental Rating

We has received financing based on the "DBJ Environmentally Rated Loan Program" of the Development Bank of Japan (DBJ), and earned the highest rating under DBJ rules as of November 30, 2018. This rating reflects our united Groupwide operation of our environmental management system, which includes introduction of environmental load monitoring and remote operation systems at each site. Through continuous improvements in production processes, we have worked actively to enhance productivity and reduce environmental impacts. In our wide-ranging fields of business, we have specified environmentally conscious products for each business and sought to increase sales of those products. We have also conducted in-depth training of employees and sales representatives involved in product manufacturing and sought to provide value to society through our multifaceted products. For these reasons, the Group has received the highest rating for its "particularly advanced efforts in consideration of the environment" for five consecutive years.

Environmental Accounting

The Furukawa Company Group has endeavored to conserve the environment and improve environmental efficiency by recognizing costs required for environmental conservation in reference to the Ministry of the Environment's Environmental Accounting Guidelines in 2005.

● Environmental Conservation Cost (Categories Corresponding to Business Activities)

Total investments for fiscal 2019 reached ¥402 million. The Group has introduced energy-saving equipment and enhanced preventive measures with the aim of promoting environmental conservation. As a result, pollution prevention costs accounts for 71% of the total cost of ¥1,187 million, the breakdown of which is mainly the costs for promoting environmental conservation activities such as the maintenance and management of pollution control equipment and conservation of forests.

Category		Content of the principal activities	Investments	Costs
(1) Business area cost: Cost for preventing air pollution and water pollution			357	764
Breakdown	Pollution prevention cost	Cost for preventing air pollution and water pollution	285	570
	Global environmental conservation cost	Cost for saving energy and maintenance and management of mountain forests owned by the Company	68	37
	Resource circulation cost	Cost for recycling, disposal of industrial waste, and effective use of water	4	157
(2) Upstream and downstream costs		Costs for recycling, recovering, and re-commercialization of products that have been output into business areas	0	185
(3) Administration cost		Cost for operating ISO 14001 standards, environmental education, landscaping and greening of business sites	28	62
(4) R&D cost		R&D cost to develop products that contribute to environmental conservation	17	174
(5) Social activity cost		Cost associated with various social activities including cleanup of neighborhood areas, planting of greenery, etc.	0	2
(6) Environmental remediation cost		Cost allocated for recovery from environmental degradation due to business activities	0	0
		Total	402	1,187

● Environmental Conservation Benefit

(Millions of yen)

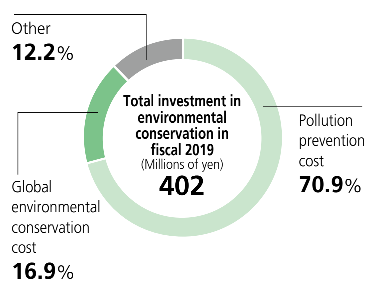
Content of the benefit		Amount
Resource circulation (gains on sale of valuables, etc.)	Gains on sale of stainless steel, iron, etc.	204
Energy-saving effect	Reduction of electric power purchasing costs due to operation of steam turbine generators	43
	Total	247

● Environmental Conservation Benefit

The economic impact deriving from resource circulation (gains on sale of valuables, etc.) for fiscal 2019 was ¥204 million, a year-on-year increase of ¥42 million, as a result of subdividing the resources. In addition, the commissioning of a turbine generator at the Osaka Plant of Furukawa Chemicals Co., Ltd. led to a reduction of approximately ¥43 million in the cost of electricity purchased, similar to the previous fiscal year.

Categories of environmental conservation benefit	Environmental performance indicator (unit)	Fiscal 2018	Fiscal 2019	Difference from the previous fiscal year
Environmental conservation benefit related to resources input into business activities	Total energy input volume (thousand GJ)	483	511	Increased by 28 thousand GJ
	Input volume of water (thousand m^3)	623	692	Decreased by 69 thousand m^3
Environmental impact originating from business activities and environmental conservation benefit related to waste	Volume of greenhouse gas emissions (thousand t-CO_2)	26	26	Increased by 0 thousand t-CO_2
	Total waste emissions volume (t)	6,884	7,160	Increased by 276 t

● Breakdown of Environmental Conservation Cost Invested



Environmental Targets and Results

Third Medium-Term Reduction Targets and Results of Fifth (Final) Year

The Group worked hard to achieve its Third Medium-Term Reduction Targets, covering the period from fiscal 2015 to fiscal 2019. The table below shows the results for fiscal 2019, the fifth and final year of the targets. There were several reasons for discrepancies between targets and results in fiscal 2019. After setting the targets, for example, we announced our Vision for 2025, following which core Group companies made production plans that were not fully reflected in the reduction targets. When the Third Medium-Term Reduction Targets were formulated (in fiscal 2014), moreover, all of the electricity supplied in some locations came from hydroelectric power, whereas currently we also use electricity from power companies in those locations. Based on the results of our Third Medium-Term Reduction Targets, we are currently formulating our Fourth Medium-Term Reduction Targets, covering the 10-year period from fiscal 2020.

Reduction Rate Results in Fiscal 2019

Details of the effect	Reduction rate targets for fiscal 2019	Reduction rate results in fiscal 2019
CO_2 emissions	3%	-13%
Water resource used	2%	-9%
Total emissions including waste	5%	-13%

Material Flow of the Furukawa Company Group (Fiscal 2019)

INPUT

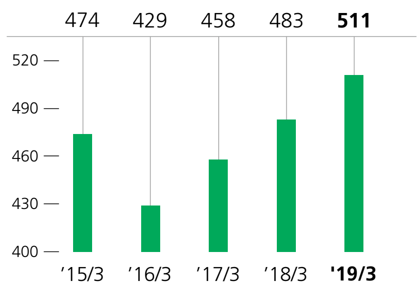
	Category	Volume used	Category	Volume used	Category	Volume used
Total energy input	Volatile oil (gasoline)	33 kl	Fuel oil A	221 kl	City gas	889 thousand m³
Total energy input	Kerosene	301 kl	Liquefied petroleum gas (LPG)	359 t	Electricity	43,593 thousand kwh
Total energy input	Diesel oil	195 kl				
Water resource input	Waterworks	141 thousand m³	Industrial water	550 thousand m³	Groundwater	0 thousand m³

OUTPUT

CO_2 emissions	26 thousand t-CO_2
Drain volume	477 thousand m³
Total emissions including waste	7,160 t

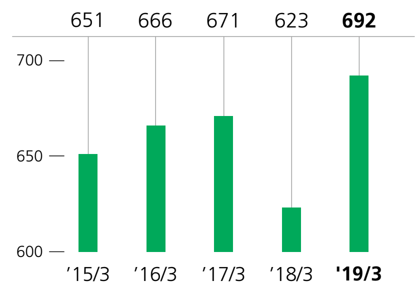
INPUT

Energy (thousand GJ)



We have sought to reduce energy consumption by introducing energy-saving equipment and modifying product-line to minimize standby time, while reducing the travel distance of cargo handling equipment. Due to increased production in the UNIC Machinery and Electronics segments, however, total energy consumption increased 6% year on year in fiscal 2019. Meanwhile, Furukawa Co., Ltd. has received the highest rating (S Class) under an evaluation system for Specified Business Operators based on Japan's Energy Conservation Law for four consecutive years since the system was launched in fiscal 2016.

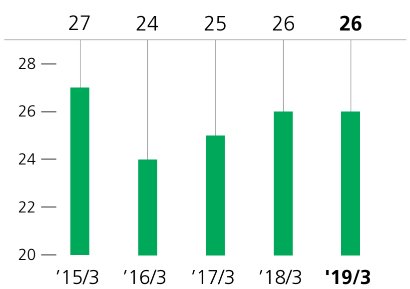
Water Resources (thousand m³)



During the year, we sought to enhance water intake management (through visualization) and improve equipment for water supply and drainage. Due to increased production in the UNIC Machinery and Electronics segments, however, total water consumption increased 11% year on year.

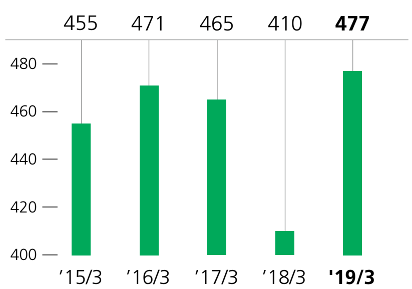
OUTPUT

CO_2 Emissions (thousand t)



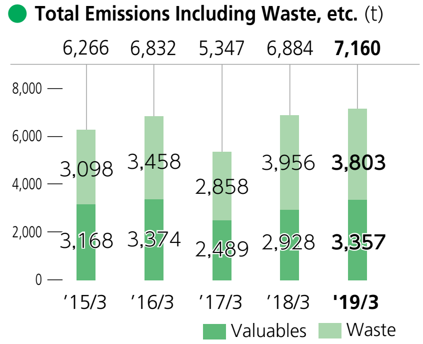
Total energy consumption increased 6% year on year, while CO_2 emissions increased 2% due to the effect of the CO_2 emission factor.

Drain Volume (thousand m³)



Water consumption increased 11% year on year. However, the amount of wastewater generated increased 16% due to a decrease in production of items that use water as the main raw material.

Total Emissions Including Waste, etc. (t)



Due to increased production at each Group company, the total amount of waste generated was 4% higher than the previous year. Due to the adoption of resource segmentation, the volume of valuable recyclables increased 15% year on year.

Social Initiatives

Since our early days in mine development, our basic approach to social initiatives has been to contribute to society by evolving and advancing technologies that support social infrastructure and provide a wide range of products and services that make customers and other stakeholders happy. As part of our commitment to realizing a sustainable society, we must also look at every touchpoint between our corporate activities process and society. We are also aware of various social issues—from global challenges to issues rooted in local communities—and we conduct activities that help resolve them.

Workplace and Workstyle Reforms

We are implementing workplace and workstyle reforms to not only improve the health and safety of workers but also create workplaces where employees can work with vigor and pride. We believe that we need workplaces that encourage problem-solving and respects diversity in such areas as gender, nationality, individual career differences, birth, and life stage. At the same time, each individual must be willing to respect the Company's social mission in these changing times, but also have their own opinions and not reject alternative viewpoints and respect each other. The Group aims to be a self-supporting organization that embraces diversity as an advantage rather than an obligation.

In addition, we engage in "Business Process Re-engineering Activities" as part of our workplace and workstyle reforms. Through these activities, we aim to eliminate waste at our business departments so they can concentrate on higher-value-added work aimed at realizing the Group's long-term vision. We also promote automation and systematization of routine tasks to improve productivity, giving workers more time and mental capacity to concentrate on higher-value-added work. Details of such higher-value-added work will be explained in medium-term action plans that each core Group company will formulate with a view to realizing our Vision for 2025. As a corporation, meanwhile, we will provide education and training opportunities enabling individual employees to acquire the knowledge and professional skills they need, in order to support the growth of each employee.

The Group believes that these workplace and workstyle reforms will help create a sustainable society and resolve social issues.

Three Fields of Workstyle Reform and Examination Items

Improvement of workplace environment	Automation and systematization, review of layouts, review of personnel allocation, shortening meeting times, effective management of meetings
Review of systems and working conditions	Increase in departments using a flextime system, introduction of teleworking, discretionary work system and no-overtime days
Reform of mindset	Making people conscious about the improvement of efficiency

Numerical Targets in the Workstyle Reform

	Fiscal 2019	Fiscal 2020 target	
Prescribed working hours (a)	1,891 hours	1,891 hours	
Extra working hours (b)	305 hours	186 hours	25.40 hours/month ⇨15.50 hours/month
Hours of paid annual leave taken (c)	79 hours	78 hours	Achieved the 3-year target (Oct. 2018)
Total actual working hours (a) + (b) – (c)	2,117 hours	1,999 hours	

Work–Life Balance

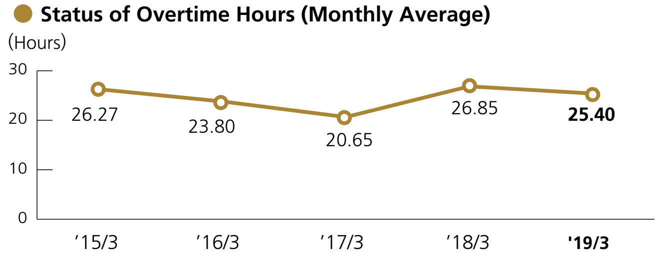
Creating a Comfortable Workplace Environment

We have been promoting activities to help employees maintain their health and achieve a good work–life balance through reducing overtime and improving the rate at which they take paid annual leave.

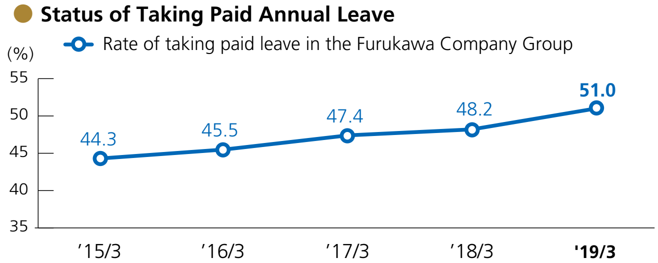
Activities for Fiscal 2019

- Considered introduction of employment system for meticulous management of working hours
- Establishment of day for encouraging employees to take paid annual leave, encouraging employees with low vacation uptake rates (less than 5 days) to take annual leave
- Trial of telework system
- Holding seminars on balancing work with childcare or nursing care duties

Status of Overtime Hours (Monthly Average)



Status of Taking Paid Annual Leave



Promoting Diversity

Support for Advancement of Female Employees

The Company actively recruits and empowers women. On April 1, 2016, we formulated our Action Plan for Promoting Support for Female Employees, and we have since been expanding our systems to support the advancement of women.

Action Plan for Promoting Support for Female Employees (April 1, 2016 to March 31, 2021)

Target No. 1	The percentage of women among new graduate hires shall be 20% or higher
Target No. 2	The number of female managers shall be 10 or more
Target No. 3	Establishment of a return-to-work system (a reemployment system for retirees)
Target No. 4	Encouraging the taking of paid annual leave at an average rate of 12 days per person per year
Target No. 5	Encouraging male employees to take parental leave: 10 or more male employees per year

Support for Employees Raising Children

We have expanded the scope of employees who can access our various childcare support systems, and enhanced our support for employees who are raising children, such as by allowing them to take part of their childcare leave in the form of paid annual leave. We also encourage male employees to take childcare leave to give them more opportunities to participate in the raising of children.

Rate of Taking Parental Leave: 88.6%			
Men	33 male employees	Rate of taking parental leave: 86.8%	Average number of days: 21.4
Women	6 female employees	Rate of taking parental leave: 100.0%	Average number of days: 468.7

Hiring Foreign Nationals

The Company Group is proactively pursuing overseas business expansion and does not make hiring decisions based on nationality. We have adopted 590 foreign national employees (as of March 31, 2019), deepening our partnerships with our non-Japanese employees and promoting a spirit of mutual respect for individual differences.

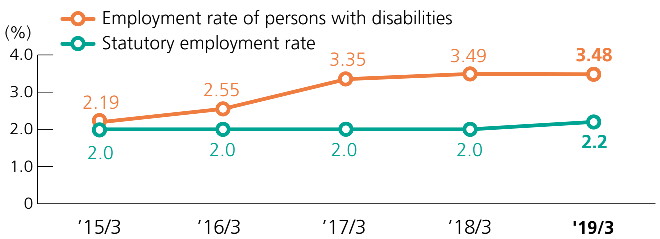
Hiring Retired Older Workers

In accordance with its Continued Employment Rules, the Company rehires employees who want to continue working after reaching the official retirement age of 60. Such employees who return to work after retiring focus on handing down the skills they have developed over their long career to mid-level and younger employees. The number of employees continuing to work after reaching the age of retirement under the continued employment system is 105 (as of March 31, 2019).

Hiring People with Disabilities

The Company hires people with disabilities at various workplaces and for various types of work, promoting their independence and participation in society.

● Trend of Employment Rate of Persons with Disabilities (Furukawa Co., Ltd.)



Cultivation of Human Resources

Basic Approach

We employ human resources who are willing to seize any challenge, based on our fundamental belief that "people" are the key to unlocking the unlimited potential of our company. We are also working to build a motivating corporate culture that recognizes the diverse values of individuals, rejects human rights violations and discrimination, and fairly evaluates its employees.

Cultivation of Human Resources

The Company Group seeks to optimize its business framework and maximize its corporate value through the development of professional human resources and creation of workplace environments where employees can exercise their abilities to the fullest.

● Training Programs Implemented by Job Grade

A variety of educational programs are provided to different classes of employees such as the newly hired, employees in their second year, third year, fifth year, and eighth year, newly assigned managers, and section managers to help them attain the basic knowledge required for their job as well as the ability to respond to changes in the social environment. In the training program for newly hired employees, the history, countermeasures against pollution, and the present status of safety management and tree-planting activities of the Ashio Copper Mine is included.

● Training Activities by Specialty and Function

We offer appropriate programs according to the specialty, function, and qualification of the participants, providing them with a wide range of expertise concerning the relevant fields and specified skills. At the same time, we proactively encourage our employees to participate in external seminars on specialized subjects, and to obtain public qualifications. We also endeavor to cultivate employees with expertise in cutting-edge technologies and social trends by supporting their participation in external educational organizations and academic societies.

Personnel Appraisal System

On July 1, 2019, we decided to abolish our existing professional qualification grade system and introduce a role-grading system that sets the grade according to the magnitude of each employee's expected role, to more effectively give employees the roles we expect them to fulfill. In conjunction with this, we will modify our personnel appraisal system, which will come into effect on April 1, 2020. Under the system, we will assess such factors as work performance, goal achievement levels, motivation, and capability. We will also step up efforts to guide and train employees, develop their skills, and allocate them appropriately, thus creating an environment in which motivated employees can work with peace of mind.

Respect for Human Rights

The Furukawa Company Group's Corporate Conduct Charter stipulates that we will "accept diverse values of individuals, and strive to create a corporate climate in which there are no human rights violations or discrimination while individuals receive fair evaluations and are motivated to work," and prohibits all forms of harassment and discrimination. We take resolute measures against harassment and discrimination based on our internal rules.

Our Code of Behavior for employees provides that basic human rights should be respected and discriminatory language and behavior is prohibited. All newly hired employees of the Company Group participate in the human rights seminar while managers are required to join internal training concerning harassment in the workplace. Thus, specific case studies of actions leading to the creation of comfortable workplaces are learned, along with examples of actions that constitute human rights violations.

Efforts for Industrial Safety and Health

The Company Group has also implemented various industrial safety and health activities based on its Basic Philosophy on Industrial Safety and Health and Policy on Industrial Safety and Health to improve its safety and health performance. In particular, we promote safety and health education and training programs for our own employees and those of subcontractors working within our plants with the aim of creating comfortable workplace environments. We also believe that basic activities such as holding pre-operation meetings, ensuring KYT (hazard prediction training), activities concerning near-miss incidents and collecting improvement proposals must be conducted regularly. Furthermore, efforts made in regard to compliance with laws and ordinances and responses to amended laws and ordinances are made known to relevant personnel.

Consolidated Six-Year Financial Summary

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31

	Millions of yen					
	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3
For the year:						
Net sales	**¥ 174,117**	¥ 167,696	¥ 149,830	¥ 161,799	¥ 172,544	¥ 163,026
Cost of sales	**147,675**	142,427	126,207	136,447	146,657	139,777
Gross profit	**26,442**	25,269	23,623	25,352	25,887	23,249
Selling, general and administrative expenses	**17,526**	17,448	17,077	17,363	16,962	16,363
Operating income	**8,915**	7,821	6,546	7,989	8,925	6,886
Profit before income taxes	**7,003**	6,595	6,711	6,631	6,160	7,092
Profit attributable to owners of parent	**4,654**	4,774	4,254	5,056	9,793	3,976
Cash flows from operating activities	**11,785**	5,350	9,819	7,652	10,241	1,983
Cash flows from investing activities	**(3,387)**	(5,855)	(3,585)	(2,855)	(10,892)	(3,129)
Cash flows from financing activities	**(4,205)**	(2,529)	(5,030)	(8,166)	3,318	(4,562)
Capital expenditures	**5,442**	5,021	5,424	2,869	2,557	11,430
Depreciation and amortization	**3,474**	3,260	3,138	3,191	3,223	2,828
Research and development expenses	**1,505**	2,293	2,464	2,680	2,227	2,539
At year-end:						
Total assets	**¥ 215,368**	¥ 222,211	¥ 208,034	¥ 195,650	¥ 207,317	¥ 199,408
Current assets	**87,441**	87,486	79,579	76,315	80,564	76,838
Current liabilities	**60,377**	79,322	59,790	59,750	63,870	73,976
Total equity	**78,217**	85,011	77,658	66,459	68,783	54,694
Net assets	**80,447**	87,086	79,584	68,262	70,581	56,313
Interest-bearing liabilities	**72,597**	73,311	73,507	76,241	82,053	77,219
Per share amounts:*		Yen				
Basic earnings	**¥ 116.23**	¥ 118.16	¥ 105.29	¥ 125.13	¥ 242.34	¥ 98.40
Cash dividends	**50.00**	50.00	50.00	50.00	50.00	30.00
Net assets	**1978.09**	2,104.07	1,922.04	1,644.81	1,702.21	1,353.41
Profitability:		%				
Cost of sales margin (%)	**84.8**	84.9	84.2	84.3	85.0	85.7
Gross margin (%)	**15.2**	15.1	15.8	15.7	15.0	14.3
SG&A expense margin (%)	**10.1**	10.4	11.4	10.7	9.8	10.0
Operating margin (%)	**5.1**	4.7	4.4	4.9	5.2	4.2
Return on sales (%)	**2.7**	2.8	2.8	3.1	5.7	2.4
Efficiency and soundness:						
Return on equity (ROE) (%) (Note 1)	**5.7**	5.9	5.9	7.5	15.9	7.6
Return on assets (ROA) (%) (Note 2)	**2.1**	2.2	2.1	2.5	4.8	2.1
Debt-to-equity (D/E) ratio (Times) (Note 3)	**0.9**	0.9	0.9	1.1	1.2	1.4
Equity ratio (%) (Note 4)	**36.3**	38.2	37.3	34.0	33.2	27.4
Total asset turnover (Times) (Note 5)	**0.79**	0.78	0.74	0.80	0.85	0.82
Investment indicators:						
Dividend payout ratio (%) (Note 6)	**43.0**	42.3	47.5	40.0	20.6	30.5
Dividends on equity (DOE) ratio (%) (Note 7)	**2.4**	2.4	2.7	2.9	3.2	2.2
Price book value ratio (PBR) (Times) (Note 8)	**0.7**	0.9	1.1	1.0	1.2	1.4
Stock price at fiscal year-end (Yen)*	**1,393**	1,985	2,050	1,660	2,120	1,860

Notes: 1. Return on equity (ROE) = Profit attributable to owners of parent / Average total equity × 100
2. Return on assets (ROA) = Profit attributable to owners of parent / Average total assets × 100
3. Debt-to-equity (D/E) ratio = Interest-bearing liabilities (fiscal year-end) / Total equity [Shareholders' equity] (fiscal year-end)
4. Equity ratio = Total equity [Shareholders' equity] (fiscal year-end) / Total assets (fiscal year-end) × 100
5. Total assets turnover = Net sales / Average total assets
6. Dividend payout ratio = Total cash dividends / Profit attributable to owners of parent × 100
7. Dividends on equity (DOE) ratio = Total cash dividends / Average net assets × 100
8. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share

* The Company conducted a 1-for-10 stock consolidation of shares of common stock, effective October 1, 2017. In the above table, per-share figures for the fiscal year ended March 2017 and prior years have been recalculated based on the number of shares outstanding after the stock split.

Financial Review

Revenue and Expenses

In fiscal 2019, ended March 31, 2019, consolidated net sales totaled ¥174,117 million, up 3.8% compared with the previous fiscal year.

The Industrial Machinery segment posted a 13.2% year-on-year increase in sales, to ¥17,971 million. Factors included higher sales of materials-related machinery, such as crushers, screens, and grinding mills for an intermediate storage facility (Futaba-machi, Futaba-gun, Fukushima Prefecture), as well as steady sales of belt conveyors for construction of the Tokyo Gaikan Expressway and cargo handling equipment for a large-scale project involving construction of an international bulk terminal at the Port of Onahama. We also booked sales from new orders for belt conveyors for a specified waste cement solidification treatment facility (Naraha-machi, Futaba-gun, Fukushima Prefecture) and an intermediate storage facility (Okuma-machi, Futaba-gun, Fukushima Prefecture).

The UNIC Machinery segment reported a 6.8% rise in sales, to ¥29,237 million. Domestic sales were up thanks to higher shipments of mainstay UNIC cranes in the wake of revised structural standards for mobile cranes enacted in March. Healthy shipments of mini crawler cranes and unit carriers also contributed to revenue. Meanwhile, overseas sales increased on the back of steady shipments of UNIC cranes, mainly in China, and mini crawler cranes in Europe and North America.

Sales in the Metals segment grew 3.5%, to ¥80,068 million. For the fiscal year, the Company's sales of electrolytic copper declined due to a 4,957-ton decrease in volume sales, to 85,146 tons, but sales of electrolytic gold increased on the back of higher production volume.

Cost of sales rose 3.7%, to ¥147,675 million, and the cost of sales margin edged down 0.1 percentage point, to 84.8%. Selling, general and administrative (SG&A) expenses were up 0.4%, to ¥17,526 million.

As a result, operating income climbed 14.0% from the previous fiscal year, to ¥8,915 million. Main contributors were the Industrial Machinery segment (with operating income of ¥2,089 million, up 107.9%), which benefited from higher sales, as well as large-scale projects and profitable projects related to bridges, and the UNIC Machinery segment (¥2,789 million, up 21.5%), buoyed by higher segment sales. By contrast, the Metals segment reported a 32.9% decline in operating income, to ¥582 million, due to worsening conditions in the mining sector.

Among other income, we posted ¥952 million in interest and dividend income, ¥224 million in gain on sales of noncurrent assets, and ¥215 million in gain on sales of investment securities. Among other expenses, we booked a ¥1,610 million impairment loss on the Furukawa Osaka Building, which we deemed no longer viable as a competitive rental tenant building. In the previous fiscal year, there was a ¥1,042 million loss on provision for cost of removal of office tenants. We posted ¥150 million in equity in losses of affiliates mainly due to losses caused by deterioration in earnings of equity-method affiliates in the mining and smelting sectors. (In the previous fiscal year, we posted ¥367 million in equity in earnings of affiliates.) Accordingly, profit before income taxes increased 6.2%, to ¥7,003 million.

Total income taxes (including corporation tax, inhabitants' tax, and enterprise tax) amounted to ¥2,150 million, up 28.9%. The effective tax rate increased 5.4 percentage points, to 30.7%, due largely to the posting of equity in losses of affiliates. Profit attributable to non-controlling interests jumped 30.1%, to ¥199 million.

As a result, profit attributable to owners of parent decreased 2.5% year on year, to ¥4,654 million. ROE decreased by 0.2 points to 5.7%. Profit attributable to owners of parent per share was down 1.6%, to ¥116.23.

Medium-Term Business Plan 2019: Targets and Progress by Business Segment

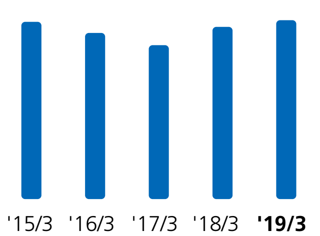
In fiscal 2019, we reported consolidated net sales of ¥174,117 million, representing a progress rate of 103.9% compared with our target for fiscal 2020 (final year) under Medium-Term Business Plan 2019. By segment, the progress rate of the Machinery business, positioned as a core business, was 92.2%, while rates for the Materials business and the Real Estate segment both exceeded 100%.

Operating income in fiscal 2019 was ¥8,915 million, for a progress rate of 104.9% against our ¥8.5 billion KPI target for fiscal 2020. The progress rate for the Industrial Machinery segment was 167.1% and the overall Machinery business was healthy, at 105.1%. Due to deterioration in smelting profits, the progress rate of the Metal segment was 83.1% and the Materials business was 99.7%. The rate for the Real Estate segment was 116.4%. Under Medium-Term Business Plan 2019, we have positioned the Machinery business as a core business, and the three years of the plan as a period of "Building foundations for renewed growth." In fiscal 2019, the Machinery business accounted for 72.0% of consolidated operating income, compared with our 72.2% target for fiscal 2020.

We are also stepping up efforts to increase ROE. Among the components of ROE, we are placing top priority on improving

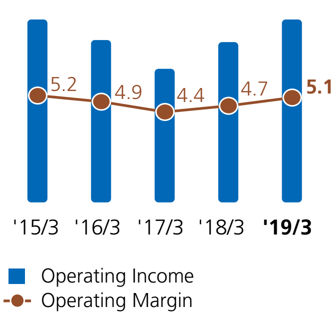
Net Sales
(Billions of yen)

172.5 161.8 149.8 167.7 **174.1**



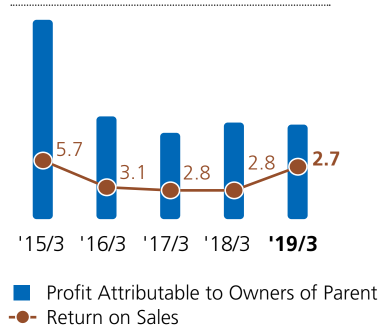
Operating Income
(Billions of yen)
Operating Margin
(%)

8.9 8.0 6.5 7.8 **8.9**



Profit Attributable to Owners of Parent
(Billions of yen)
Return on Sales
(%)

9.8 5.1 4.3 4.8 **4.7**



profitability and efficiency. Compared with fiscal 2017 (the year before the start of Medium-Term Business Plan 2019,) as the base year, ROE has edged down 0.2 percentage point, to 5.7%. This is mainly because of a ¥1,610 million impairment loss (reported at extraordinary loss) on the Furukawa Osaka Building in fiscal 2019, which negatively affected return on sales.

Industrial Machinery: Compared with our targets for fiscal 2020 under Medium-Term Business Plan 2019, the progress rates for segment sales and operating income were 89.9% and 167.1%, respectively. ROA has improved from 0.5% in fiscal 2017 to 9.2% in fiscal 2019 (4.6% in fiscal 2018), with large-scale projects, bridge construction, and other profitable projects making an ongoing contribution to operating margins since fiscal 2018. Many of the products provided by this segment are manufactured to order, so it is essential that we accurately understand customers' issues and demands for each project and make proposals to address them. For this reason, we undertook a reorganization on April 1, 2018 aimed at strengthening our engineering capabilities. This entailed integrating the sales and design departments—previously separated from each other and coordinated by the head office—into each business segment. The reorganization is gradually bearing fruit.

Rock Drill Machinery: Compared with our targets for fiscal 2020 under Medium-Term Business Plan 2019, the progress rates for segment sales and operating income were 90.7% and 105.6%, respectively. Thanks to increases in the operating margin, ROA has improved from 2.9% in fiscal 2017 to 4.9% in fiscal 2019 (5.7% in fiscal 2018). To further improve the profitability and efficiency of this segment, we are working to enhance our LCS capabilities. Specific business strategies include building an operational management system, expanding sales of parts, and growing and strengthening our domestic maintenance business. We are also investing a total of ¥6.8 billion in the Yoshii Works over a five-year period starting in fiscal 2018, with the aims of enhancing production capacity and productivity, improving environmental performance and product quality, and strengthening our LCS capabilities.

UNIC Machinery: Compared with our targets for fiscal 2020 under Medium-Term Business Plan 2019, the progress rates for segment sales and operating income were 95.5% and 82.0%, respectively. ROA has declined from 11.2% in fiscal 2017 to 9.7% in fiscal 2019 (8.9% in fiscal 2018), due to various factors. These include an increase in total assets stemming from large-scale capital investments since fiscal 2017, rising prices of steel, increases in production costs associated with making capital investments while manufacturing is in progress, and declines in total asset turnover and operating margins. In Japan, we developed safety-enhanced models that comply with revised structural standards for mobile cranes enacted by the Ministry of Health, Labor and Welfare. The new models went on sale in October 2018. Overseas, we expanded our Thailand factory, which is a production base for machinery exports, and established a knockdown parts warehouse and export machinery shipment facility, in addition to rebuilding our dealer network and strengthening our sales capabilities. Our plan is to upgrade the Sakura Plant to "mother factory" status, reinforce our production systems in Japan, Thailand, and China, and reduce production costs.

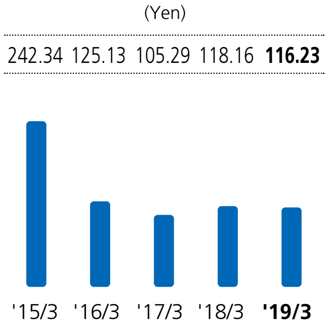
Metals: Compared with our targets for fiscal 2020 under Medium-Term Business Plan 2019, the progress rates for segment sales and operating income were 119.1% and 83.1%, respectively. ROA has declined from 6.2% in fiscal 2017 to 1.8% in fiscal 2019 (2.7% in fiscal 2018), due to falling operating margins. Profit in this segment fluctuates significantly, because raw copper ore and bullion products are affected by international market trends, and smelting profitability is impacted by iron ore purchasing conditions. We are working to reduce the effects of these fluctuations by entering forward exchange contracts, hedging through futures contracts, and the like. To improve earnings, we are also establishing an optimal production and sales system with an emphasis on profitability.

Electronics: Compared with our targets for fiscal 2020 under Medium-Term Business Plan 2019, the progress rates for segment sales and operating income were 102.0% and 136.0%, respectively. ROA has improved from 0.2% in fiscal 2017 to 5.7% in fiscal 2019 (4.5% in fiscal 2018). High-purity metallic arsenic, which is positioned as a mature product, has generated improved earnings thanks to strong performances of compound semiconductors—the main application for this product—as well as solid demand for crystal products used in individual semiconductor devices.

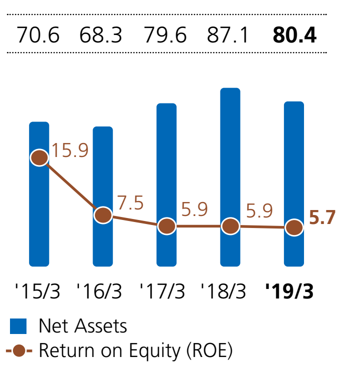
Chemicals: Compared with our targets for fiscal 2020 under Medium-Term Business Plan 2019, the progress rates for segment sales and operating income were 102.1% and 101.6%, respectively. ROA has improved from 0.7% in fiscal 2017 to 2.5% in fiscal 2019 (2.8% in fiscal 2018). In the previous fiscal year, we reported a year-on-year increase in sales of cuprous oxide owing to growth in demand for its use in marine antifouling paint, a mainstay application, ahead of the enactment of regulations under the Ballast Water Management Convention. This helped improve the operating margin in that year. In fiscal 2019, there was a recoil in cuprous oxide demand, but sales of sulfuric acid increased due to a price revision, which contributed to segment earnings.

Real Estate: Compared with our targets for fiscal 2020 under Medium-Term Business Plan 2019, the progress rates for segment sales and operating income were 120.0% and 116.4%, respectively. ROA has remained mostly unchanged from 4.0% in fiscal 2017 (4.3% in fiscal 2018). In this segment, we have sought to secure stable income through the steady operation of the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2) and the sale of idle land, while improving asset efficiency through

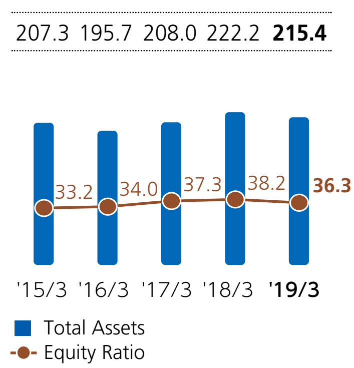
Basic Earnings per Share
(Yen)



Net Assets
(Billions of yen)
Return on Equity (ROE)
(%)



Total Assets
(Billions of yen)
Equity Ratio
(%)



Consolidated Net Sales, Operating Income, and Progress Rates: Medium-Term Business Plan 2019

Consolidated Net Sales	FY2020 (Estimation)	FY2019	Progress rate (%)
Machinery	**84,100**	**77,580**	**92.2%**
Industrial Machinery	20,000	17,971	89.9%
Rock Drill Machinery	33,500	30,372	90.7%
UNIC Machinery	30,600	29,237	95.5%
Materials	**79,600**	**92,722**	**116.5%**
Metals	67,200	80,068	119.1%
Electronics	6,400	6,527	102.0%
Chemicals	6,000	6,127	102.1%
Real Estate	**2,500**	**2,999**	**120.0%**
Others	1,400	814	**58.1%**
Total	**167,600**	**174,117**	**103.9%**

Consolidated Operating Income	FY2020 (Estimation)	FY2019	Progress rate (%)
Machinery	**6,250**	**6,567**	**105.1%**
Composition ratio*	72.2%	72.0%	–
Industrial Machinery	1,250	2,089	167.1%
Rock Drill Machinery	1,600	1,690	105.6%
UNIC Machinery	3,400	2,789	82.0%
Materials	**1,400**	**1,396**	**99.7%**
Composition ratio*	16.2%	15.3%	–
Metals	700	582	83.1%
Electronics	300	408	136.0%
Chemicals	400	407	101.8%
Real Estate	**1,000**	**1,164**	**116.4%**
Composition ratio*	11.6%	12.7%	–
Others	(40)	(147)	–
Subtotal	**8,610**	**8,980**	**–**
Adjustment amount	**(110)**	**(64)**	**–**
Total	**8,500**	**8,915**	**104.9%**

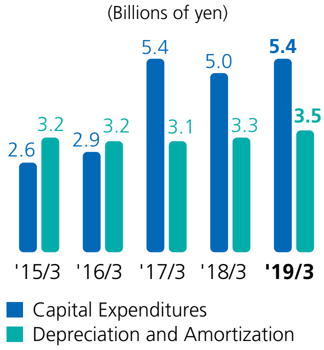
* Calculated as a percentage of the total, minus other adjustments.

ROA Transition by Segment

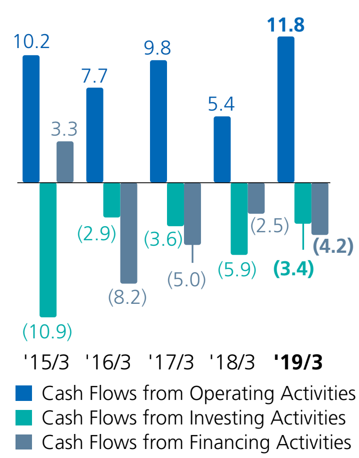
FY2017	ROA (Operating Income)	Total Asset Turnover (Times)	Operating Margin	Operating Income (Millions of yen)
Consolidated	3.2%	0.7	4.4%	6,546
Industrial Machinery	0.5%	0.9	0.6%	104
Rock Drill Machinery	2.9%	0.9	3.3%	897
UNIC Machinery	11.2%	1.1	9.9%	2,579
Metals	6.2%	2.4	2.6%	1,738
Electronics	0.2%	0.8	0.3%	18
Chemicals	0.7%	0.3	2.1%	115
Real Estate	4.0%	0.1	39.4%	1,266

FY2019	ROA (Operating Income)	Total Asset Turnover (Times)	Operating Margin	Operating Income (Millions of yen)
Consolidated	4.1%	0.8	5.1%	8,915
Industrial Machinery	9.2%	0.9	9.9%	2,089
Rock Drill Machinery	4.9%	0.9	5.6%	1,690
UNIC Machinery	9.7%	1.0	9.5%	2,789
Metals	1.8%	2.4	0.7%	582
Electronics	5.7%	0.9	6.2%	408
Chemicals	2.5%	0.4	6.6%	407
Real Estate	4.0%	0.1	38.5%	1,164

Capital Expenditures
(Billions of yen)
Depreciation and Amortization
(Billions of yen)

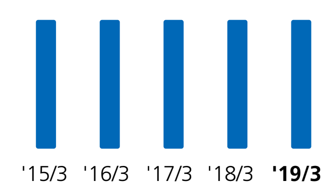


Cash Flows
(Billions of yen)



Cash Dividends per Share
(Yen)

50.00	50.00	50.00	50.00	**50.00**



the effective use of other real estate holdings. At its meeting in April 2019, the Board of Directors decided to sell the Furukawa Daimyo Building (Fukuoka City, Fukuoka Prefecture). We are currently considering the future plan for the Furukawa Osaka Building, which is scheduled to close at the end of December 2019.

Financial Position

At March 31, 2019, total assets amounted to ¥215,368 million, down 3.1% from a year earlier. The decline stemmed mainly from a decrease in investment securities due to falling prices of our shareholdings. Interest-bearing liabilities (debt) edged down 1.0%, to ¥72,597 million. At fiscal year-end, total liabilities amounted to ¥134,921 million, down 0.2% from a year earlier.

Net assets at fiscal year-end stood at ¥80,447 million, down 7.6%. Consequently, total equity amounted to ¥78,217 million, and the equity ratio slipped 1.9 percentage points, to 36.3%. The debt-to-equity (D/E) ratio remained unchanged, at 0.9 times.

R&D and Capital Expenditures

The Furukawa Company Group is actively engaged in R&D on high-value-added products and new materials that meet wide-ranging market needs. In the fiscal year under review, total research and development expenses amounted to ¥1,505 million, down 34.4% from the previous fiscal year. Of this total, ¥159 million was allocated to the Industrial Machinery segment, ¥86 million to the Rock Drill Machinery segment, ¥143 million to the UNIC Machinery segment, ¥25 million to the Metals segment, ¥99 million to the Electronics segment, and ¥136 million to the Chemicals segment.

Capital expenditures (including purchase of intangible fixed assets) amounted to ¥5,442 million. Of this total, ¥269 million was allocated to the Industrial Machinery segment, ¥2,386 million to the Rock Drill Machinery segment, ¥1,765 million to the UNIC Machinery segment, ¥67 million to the Metals segment, ¥190 million to the Electronics segment, and ¥118 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥15 million was allocated to the Real Estate segment, mainly for maintenance of buildings, and ¥629 million went to the Others segment, mainly for investments in facilities to prevent accidents at suspended mines. Funds for these expenditures are sourced from internal funds and borrowings. Depreciation and amortization increased 6.6%, to ¥ 3,474 million.

The Group's capital expenditure budget is based on comprehensive consideration of various factors, including demand forecasts, production plans, and investment benefits. As of March 31, 2019, the Group plans to invest a total of ¥10.3 billion, mainly for the purchase of new facilities and repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

Cash Flows

In the year under review, net cash provided by operating activities amounted to ¥11,785 million, up 120.3% from the previous fiscal year. This was due mainly to profit before income taxes, depreciation and amortization, impairment loss, and other non-capital-related items, as well as a decrease in inventories and other changes in assets and liabilities.

Net cash used in investing activities totaled ¥3,387 million, down 42.2% from the previous fiscal year. The main factor was ¥4,760 million in purchases of property, plant and equipment, including investments in equipment for strengthening the "mother factory" functions of the Sakura Plant, investments to increase production capacity at the Yoshii Plant, and other investments related to implementing Medium-Term Business Plan 2019. However, this figure was lower than the previous fiscal year. Moreover, we posted an increase in proceeds from sales of property, plant and equipment (including idle assets) aimed at improving asset efficiency.

Net cash used in financing activities was ¥4,205 million, up 66.3%. This was mainly due to an increase in expenditures associated with a purchase of treasury shares (861,700 shares) implemented in November 2018.

Consolidated Operating Cash Flow Allocation and Capital Strategy

The Furukawa Group is currently implementing Medium-Term Business Plan 2019, covering the three-year period from April 2017 to March 2020. With respect to allocation of consolidated operating cash flows, our policy under the plan is to "actively

Consolidated Operating Cash Flow Progress Rates

Consolidated Operating Cash Flows (Millions of yen)		Cumulative amount for 3 fiscal years (Estimation)	FY2019	Cumulative amount from FY2018 to FY2019	Progress rate
		25,000	11,785	17,136	68.5%
Allocation	Reducing interest-bearing debt[*1]	3,000	714	910	30.3%
	Capital expenditures[*2]	16,000	5,442	10,464	65.4%
	Cash dividends[*3]	6,000	2,020	4,040	67.3%
	Acquisition of treasury stock	—	1,208	1,210	—

*1 Refers to borrowings (short- and long-term) only, and does not include lease obligations.
*2 Refers to purchase price. Purchases of tangible and intangible fixed assets in fiscal 2019 amounted to ¥4,827 million, and cumulative purchases in fiscal 2018 and fiscal 2019 totaled ¥10,223 million.
*3 Refers to total dividend payments. Dividends paid in fiscal 2019 amounted to ¥2,020 million, and cumulative dividend payments in fiscal 2018 and fiscal 2019 totaled ¥4,039 million.

promote investments that contribute to increased corporate value" while aiming to establish a robust financial foundation. At the same time, we endeavor to make optimal allocations of cash flows in consideration of shareholder returns.

Under our Medium-Term Business Plan 2019, our cumulative three-year projection (fiscal 2018 to fiscal 2020) for operating cash flows was around ¥25 billion. The cumulative amount for the past two fiscal years (fiscal 2018 to fiscal 2019) was ¥17,136 million, or 68.5% of the total, which generally reflects our projection. The table on the previous page shows how capital inflows were allocated in fiscal 2019 and the progress status.

Since the end of fiscal 2018, we have reduced interest-bearing debt by ¥910 million, for a progress rate of 30.3%. However, this is mostly the same as the progress rate assumed under Medium-Term Business Plan 2019, so we are moving ahead according to plan.

As for allocation of capital expenditures, our cumulative three-year projection was around ¥16 billion, mostly for investment in the Machinery business, which is positioned as a core business. The cumulative amount for the past two fiscal years (fiscal 2018 to fiscal 2019) was ¥10,464 million, or 65.4% of the total, which generally reflects our plan.

We place great importance on improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings, as well as future business development and other factors. We strive to return profits to shareholders in a stable and ongoing manner. In principle, we aim to pay annual dividends of ¥50.00 per share or higher for a consolidated payout ratio of 30% or higher, based on consolidated earnings (excluding extraordinary income / loss situations). For fiscal 2019, the Company declared annual dividends of ¥50.00 per share, for a consolidated payout ratio of 43.0%.

Business Risks

(1) Foreign Exchange Fluctuations

The Furukawa Company Group engages in production and sales activities in Japan and overseas, and therefore is at risk of foreign exchange fluctuations in connection with its export business, the import of raw materials, primarily copper ore, and smelting and processing income. While the Group utilizes foreign exchange contracts and other methods to mitigate this risk, its operating results and financial position may be adversely affected by movements in exchange rates.

(2) Fluctuations in Nonferrous Metals Markets

International prices of electrolytic copper, a mainstay product of the Group, and other nonferrous metals are decided by the London Metals Exchange (LME) in U.S. dollars to reflect international market conditions. Such prices fluctuate according to the international supply–demand balance, speculative transactions, international political and economic circumstances, and the like. The Group utilizes forward delivery transactions and other hedging techniques to minimize the impact of fluctuating LME prices. However, movements in such prices may adversely affect the Group's operating results and financial position.

(3) Interest Rates

The Group's fiscal year-end balance of interest-bearing liabilities (debt) was ¥72,597 million, equivalent to 33.7% of total assets. Any increase in debt-related costs arising from changes in interest rates may adversely affect the Group's operating results and financial position.

(4) Investment Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. As of March 31, 2019, the carrying value of investment securities as stated in the balance sheets was ¥28,042 million, while land stood at ¥53,911 million. Accordingly, the Group's operating results and financial position are at risk of impairment losses, losses from devaluation, and losses on sales due to movements in stock and land prices.

(5) Retirement Benefit Obligation

The employees of the Furukawa Company Group are covered by defined benefit corporate pension plans, and non-contributory funded employee pension plans. Liability for retirement benefits are provided at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the balance sheet date as of March 31, 2019. In calculating retirement benefit obligation, the Group adopts assumptions in connection with the discount rate and expected rate of return on plan assets, as well as other assumptions. Accordingly, the Group's operating results and financial position are at risk in the event the actual discount rate and expected rate of return on plan assets differs materially from the assumptions, as well as in the event of a change in the assumptions on which retirement benefit obligation are made.

(6) Earthquakes and Other Natural Disasters

Earthquakes and other natural disasters, as well as major accidents, could cause substantial damage to the Group's production facilities and procurement sources, leading to failure of its production equipment and distribution network. Such an event may prevent the Group from supplying products in a reliable manner, which could affect its operating results and financial position.

(7) Environmental Protection

The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group is vigilant in preventing water run-off from idle mines from contaminating water supplies and in preventing the buildup of slag or slurry. However, in the event of changes in legislation and the like, there is a possibility that the Group's performance results and its financial position could be influenced.

(8) Official Regulations

The Furukawa Company Group engages in business in Japan and overseas and thus is subject to legal regulations of various nations, including rules related to licensing, taxation, the environment, labor, antitrust, and security. The Group takes care to faithfully comply with such official regulations, but the formulation of new regulations or amendments to existing ones may lead to increased costs and affect the Group's business continuity, which could affect its operating results and financial position.

(9) Country Risk

The Furukawa Company Group conducts its production, procurement, and sales activities on a global basis in order to expand its sales network, strengthen cost-competitiveness, and reduce currency risk. Any number of local events could hamper the Group's smooth business operations. These include local political unrest, sharp economic slowdown, trade sanctions, cultural and legal differences, special labor–management relations, and terrorism. Such events could affect the Group's operating results and financial position.

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2019 and 2018

ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 4) 2019
Current Assets:			
Cash and cash equivalents	¥ **14,218**	¥ 10,200	$ **128,075**
Receivables—trade	**30,668**	31,321	**276,267**
Finished products	**14,966**	15,576	**134,819**
Work in process	**11,087**	8,028	**99,874**
Raw materials and supplies	**12,564**	17,569	**113,183**
Other current assets	**4,076**	5,284	**36,715**
Allowance for doubtful accounts	**(138)**	(132)	**(1,244)**
Total current assets	**87,441**	87,846	**787,689**
Property, Plant and Equipment, at Cost (Notes 6, 7 and 20)**:**			
Land and timberlands	**55,759**	56,753	**502,292**
Buildings and structures	**58,013**	56,371	**522,595**
Machinery and equipment	**44,612**	43,009	**401,871**
Lease assets (Note 11)	**1,391**	1,391	**12,533**
Construction in progress	**1,135**	2,105	**10,226**
	160,911	159,629	**1,449,516**
Accumulated depreciation	**(72,622)**	(70,663)	**(654,189)**
Property, plant and equipment, net	**88,289**	88,966	**795,327**
Investments and Other Assets:			
Investment securities (Note 5)	**29,774**	36,240	**268,209**
Investments in affiliates	**3,293**	3,719	**29,662**
Long-term loans receivables	**4,135**	4,074	**37,250**
Deferred tax assets (Note 15)	**1,183**	367	**10,660**
Asset for retirement benefits (Note 14)	**210**	—	**1,896**
Other assets	**1,636**	1,572	**14,736**
Allowance for doubtful accounts	**(594)**	(573)	**(5,351)**
Total investments and other assets	**39,638**	45,399	**357,063**
Total assets	¥ **215,368**	¥ 222,211	$ **1,940,079**

LIABILITIES AND NET ASSETS	Millions of yen 2019	2018	Thousands of U.S. dollars (Note 4) 2019
Current Liabilities:			
Short-term debt (Note 7)	¥ **9,738**	¥ 9,225	$ **87,722**
Current portion of long-term debt (Note 7)	**7,467**	26,728	**67,262**
Lease obligations (Note 7)	**258**	260	**2,321**
Payables—trade	**12,691**	13,072	**114,325**
Electronically recorded obligations	**12,233**	10,644	**110,196**
Accounts payable—other	**9,895**	14,225	**89,135**
Income taxes payable	**761**	600	**6,855**
Provision for environmental measures	**4**	—	**34**
Provision for deposition field restoration	**219**	282	**1,970**
Provision for cost of removal of office tenants	**432**	—	**3,887**
Other current liabilities	**6,680**	4,286	**60,177**
Total current liabilities	**60,377**	79,322	**543,885**
Long-Term Liabilities:			
Long-term debt (Note 7)	**55,392**	37,358	**498,986**
Lease obligations (Note 7)	**405**	555	**3,650**
Provision for environmental measures	**68**	134	**612**
Provision for deposition field restoration	**—**	391	**—**
Provision for cost of removal of office tenants	**—**	579	**—**
Liability for retirement benefits (Note 14)	**8,801**	4,676	**79,279**
Deferred tax liabilities (Note 15)	**6,018**	7,524	**54,212**
Deferred tax liabilities on surplus on the revaluation of land (Note 15)	**1,477**	1,779	**13,304**
Asset retirement obligations	**224**	220	**2,022**
Other long-term liabilities	**2,159**	2,587	**19,446**
Total long-term liabilities	**74,544**	55,803	**671,509**
Net Assets (Note 8)**:**			
Shareholders' equity:			
Common stock without par value:			
Authorized—80,000,000 shares			
Issued—40,445,568 shares	**28,208**	28,208	**254,105**
Retained earnings	**41,892**	38,573	**377,376**
Treasury stock, at cost:			
2019—904,102 shares	**(1,277)**	(68)	**(11,500)**
2018—41,964 shares	**—**	—	**—**
Total shareholders' equity	**68,824**	66,713	**619,981**
Accumulated other comprehensive income:			
Unrealized holding gain on securities, net of income taxes	**9,340**	14,518	**84,134**
Deferred gain (loss) on hedges	**12**	46	**111**
Surplus on the revaluation of land, net of income taxes	**2,781**	3,465	**25,050**
Translation adjustments	**(350)**	182	**(3,155)**
Retirement benefits liability adjustments	**(2,390)**	87	**(21,529)**
Total accumulated other comprehensive income	**9,393**	18,298	**84,611**
Non-controlling interests	**2,230**	2,075	**20,093**
Total net assets	**80,447**	87,086	**724,685**
Total liabilities and net assets	¥ **215,368**	¥ 222,211	$ **1,940,079**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen				Thousands of U.S. dollars (Note 4)	
		2019		2018		**2019**
Net Sales	**¥**	**174,117**	¥	167,696	**$**	**1,568,479**
Cost of Sales (Note 17)		**(147,675)**		(142,427)		**(1,330,284)**
Gross profit		**26,442**		25,269		**238,195**
Selling, General and Administrative Expenses (Note 10)		**(17,526)**		(17,448)		**(157,882)**
Operating income		**8,915**		7,821		**80,312**
Other Income (Expenses):						
Interest and dividend income		**952**		804		**8,572**
Equity in earnings (losses) of affiliates		**(150)**		367		**(1,356)**
Interest expense		**(577)**		(581)		**(5,194)**
Other income (expenses), net (Notes 6 and 18)		**(2,137)**		(1,816)		**(19,248)**
Profit before income taxes		**7,003**		6,595		**63,087**
Income Taxes (Note 15)**:**						
Current		**(1,665)**		(1,155)		**(15,002)**
Deferred		**(485)**		(513)		**(4,368)**
Total income taxes		**(2,150)**		(1,668)		**(19,371)**
Profit		**4,853**		4,927		**43,716**
Profit Attributable to Non-Controlling Interests		**(199)**		(153)		**(1,788)**
Profit Attributable to Owners of Parent	**¥**	**4,654**	¥	4,774	**$**	**41,928**

	Yen				U.S. dollars (Note 4)	
Profit Attributable to Owners of Parent per Share	**¥**	**116**	¥	118	**$**	**1.05**
Net Assets per Share	**¥**	**1,978**	¥	2,104	**$**	**17.82**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	**2019**
Profit	**¥ 4,853**	¥ 4,927	**$ 43,716**
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities, net of income taxes	**(5,180)**	2,759	**(46,664)**
Deferred gain (loss) on hedges	**(63)**	(24)	**(564)**
Translation adjustments	**(318)**	(46)	**(2,865)**
Retirement benefits liability adjustments	**(2,477)**	1,879	**(22,311)**
Share of other comprehensive income (loss) of affiliates accounted for using equity method	**(204)**	50	**(1,838)**
Total other comprehensive income (loss) (Note 9)	**(8,242)**	4,618	**(74,242)**
Comprehensive Income (Loss)	**(3,389)**	9,545	**(30,526)**
Comprehensive Income (Loss) Attributable to:			
Owners of parent	**(3,566)**	9,375	**(32,125)**
Non-controlling interests	**178**	170	**1,599**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

For the year ended March 31, 2019

	Number of shares of common stock (thousands)	Millions of yen			
		Shareholders' equity			
		Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	40,446	¥ 28,208	¥ 38,573	¥ (68)	¥ 66,713
Cash dividends paid	**—**	**—**	**(2,020)**	**—**	**(2,020)**
Profit attributable to owners of parent	**—**	**—**	**4,654**	**—**	**4,654**
Purchase of treasury stock	**—**	**—**	**—**	**(1,209)**	**(1,209)**
Reversal of surplus on the revaluation of land	**—**	**—**	**685**	**—**	**685**
Net change during the year	**—**	**—**	**—**	**—**	**—**
Balance at end of year	**40,446**	**¥ 28,208**	**¥ 41,892**	**¥ (1,277)**	**¥ 68,824**

For the year ended March 31, 2019

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 14)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 14,518	¥ 46	¥ 3,465	¥ 182	¥ 87	¥ 18,298	¥ 2,075	¥ 87,086
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,020)**
Profit attributable to owners of parent	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,654**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,209)**
Reversal of surplus on the revaluation of land	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**685**
Net change during the year	**(5,178)**	**(33)**	**(685)**	**(533)**	**(2,477)**	**(8,905)**	**156**	**(8,750)**
Balance at end of year	**¥ 9,340**	**¥ 12**	**¥ 2,781**	**¥ (350)**	**¥ (2,390)**	**¥ 9,393**	**¥ 2,230**	**¥ 80,447**

For the year ended March 31, 2018

	Number of shares of common stock (thousands)	Millions of yen			
		Shareholders' equity			
		Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	40,446	¥ 28,208	¥ 35,748	¥ (66)	¥ 63,890
Cash dividends paid	—	—	(2,020)	—	(2,020)
Profit attributable to owners of parent	—	—	4,774	—	4,774
Purchase of treasury stock	—	—	—	(2)	(2)
Reversal of surplus on the revaluation of land	—	—	71	—	71
Net change during the year	—	—	—	—	—
Balance at end of year	40,446	¥ 28,208	¥ 38,573	¥ (68)	¥ 66,713

For the year ended March 31, 2018

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 14)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 11,758	¥ 106	¥ 3,536	¥ 160	¥ (1,792)	¥ 13,768	¥ 1,926	¥ 79,584
Cash dividends paid	—	—	—	—	—	—	—	(2,020)
Profit attributable to owners of parent	—	—	—	—	—	—	—	4,774
Purchase of treasury stock	—	—	—	—	—	—	—	(2)
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	71
Net change during the year	2,760	(60)	(71)	22	1,879	4,530	149	4,679
Balance at end of year	¥ 14,518	¥ 46	¥ 3,465	¥ 182	¥ 87	¥ 18,298	¥ 2,075	¥ 87,086

For the year ended March 31, 2019

	Thousands of U.S. dollars (Note 4)			
	Shareholders' equity			
	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	$ 254,105	$ 347,480	$ (611)	$ 600,974
Cash dividends paid	—	**(18,198)**	—	**(18,198)**
Profit attributable to owners of parent	—	**41,928**	—	**41,928**
Purchase of treasury stock	—	—	**(10,889)**	**(10,889)**
Reversal of surplus on the revaluation of land	—	**6,167**	—	**6,167**
Net change during the year	—	—	—	—
Balance at end of year	**$ 254,105**	**$ 377,376**	**$ (11,500)**	**$ 619,981**

The accompanying notes are an integral part of these statements.

For the year ended March 31, 2019

	Thousands of U.S. dollars (Note 4)							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 14)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	$130,780	$ 410	$ 31,217	$ 1,643	$ 782	$164,831	$ 18,691	$784,496
Cash dividends paid	—	—	—	—	—	—	—	**(18,198)**
Profit attributable to owners of parent	—	—	—	—	—	—	—	**41,928**
Purchase of treasury stock	—	—	—	—	—	—	—	**(10,889)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**6,167**
Net change during the year	**(46,646)**	**(299)**	**(6,167)**	**(4,797)**	**(22,311)**	**(80,220)**	**1,401**	**(78,818)**
Balance at end of year	**$ 84,134**	**$ 111**	**$ 25,050**	**$ (3,155)**	**$(21,529)**	**$ 84,611**	**$ 20,093**	**$724,685**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	**2019**
Operating Activities:			
Profit before income taxes	**¥ 7,003**	¥ 6,595	**$ 63,087**
Depreciation and amortization	**3,474**	3,260	**31,294**
Equity in earnings (losses) of affiliates	**150**	(367)	**1,356**
Impairment loss	**1,610**	142	**14,503**
Increase (decrease) in net defined benefit liability	**(68)**	788	**(610)**
Loss (gain) on disposal and sales of property, plant and equipment	**(146)**	94	**(1,316)**
Loss (gain) on sales of investment securities	**(215)**	(21)	**(1,933)**
Increase (decrease) in provision for deposition field restoration	**(454)**	(1,073)	**(4,092)**
Increase (decrease) in provision for cost of removal of office tenants	**(147)**	579	**(1,328)**
Interest and dividend income	**(952)**	(804)	**(8,572)**
Interest expense	**577**	581	**5,194**
Receivables—trade	**470**	(4,493)	**4,236**
Inventories	**2,225**	(7,976)	**20,042**
Payables—trade	**1,719**	559	**15,484**
Accounts payable—other	**(4,980)**	7,463	**(44,858)**
Other	**2,326**	724	**20,955**
Subtotal	**12,593**	6,052	**113,442**
Interest and dividends received	**953**	791	**8,585**
Interest paid	**(575)**	(559)	**(5,181)**
Income taxes paid	**(1,662)**	(1,741)	**(14,968)**
Income taxes refunded	**476**	807	**4,285**
Net cash provided by operating activities	**11,785**	5,350	**106,163**
Investing Activities:			
Purchases of property, plant and equipment	**(4,760)**	(5,326)	**(42,878)**
Proceeds from sales of property, plant and equipment	**1,246**	26	**11,222**
Purchases of investment securities	**(506)**	(6)	**(4,558)**
Proceeds from sales of investment securities	**444**	48	**4,001**
Increase in short-term loans receivables	**(364)**	(318)	**(3,275)**
Increase in long-term loans receivables	**—**	(198)	**—**
Collection of long-term loans receivables	**691**	2	**6,223**
Other	**(138)**	(82)	**(1,243)**
Net cash used in investing activities	**(3,387)**	(5,855)	**(30,508)**
Financing Activities:			
Proceeds from long-term debt	**25,713**	13,605	**231,624**
Repayment of long-term debt	**(26,912)**	(13,398)	**(242,431)**
Proceeds from short-term debt	**7,555**	8,505	**68,061**
Repayment of short-term debt	**(7,035)**	(8,918)	**(63,370)**
Purchase of treasury shares	**(1,209)**	(1)	**(10,889)**
Cash dividends paid	**(2,020)**	(2,020)	**(18,197)**
Repayment of finance lease obligations	**(275)**	(282)	**(2,481)**
Other	**(22)**	(21)	**(198)**
Net cash used in financing activities	**(4,205)**	(2,529)	**(37,882)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(177)**	9	**(1,590)**
Net Increase (Decrease) in Cash and Cash Equivalents	**4,017**	(3,025)	**36,183**
Cash and Cash Equivalents at Beginning of Year	**10,200**	13,225	**91,891**
Cash and Cash Equivalents at End of Year	**¥ 14,218**	¥ 10,200	**$ 128,075**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2018

1. Basis of Presentation

The accompanying consolidated financial statements of Furukawa Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Furukawa Group") are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from those prepared by the Company as required under the Financial Instruments and Exchange Law of Japan.

The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In preparing these statements, the Company makes certain reclassifications and rearrangements to the consolidated financial statements prepared in Japan in order to present these statements in a form which is more familiar to readers outside Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 33 subsidiaries and 11 affiliates as of March 31, 2019. The consolidated financial statements included the accounts of the Company and 33 subsidiaries as of March 31, 2019.

For the purpose of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Furukawa Group have been eliminated.

Certain foreign subsidiaries have been included on the basis of a fiscal year ended on December 31, but prior to the parent company's fiscal year ended on March 31. Relevant adjustments have been made for significant transactions with such subsidiaries during the intervening period from January 1 to March 31.

Investments in subsidiaries and affiliates which are not accounted for by the equity method are carried at cost because of their immaterial impact on the consolidated financial statements.

(2) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

(3) Short-Term Investments and Investment Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. The Furukawa Group does not hold any trading or held-to-maturity securities as of March 31, 2019 and 2018. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Fair value is determined based on the average of the market value during the last month of the fiscal year. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(4) Inventories

Finished products and work in process relating to copper products are stated at cost determined by the moving average method (the balance sheet amounts of inventories are stated at the lowered book values reflecting potential decline in profitability). Other inventories are mainly stated at cost determined by the average method (the balance sheet amounts of inventories are stated at the lowered book values reflecting potential decline in profitability).

(5) Allowance for Doubtful Accounts

In order to cover probable losses on collection, allowance for doubtful accounts is calculated based on the historical default rates for normal receivables plus the estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

(6) Provision for Deposition Field Restoration

Provision for deposition field restoration is provided to cover the stabilization costs with respect to earthquake protection.

(7) Provision for Environmental Measures

Provision for environmental measures is provided to cover disposal costs anticipated to be incurred with respect to the Law Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes.

(8) Provision for Cost of Removal of Office Tenants

Provision for cost of removal of office tenants is provided to cover compensation costs anticipated to be incurred with respect to the removal of office tenants.

(9) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment except for lease assets is mainly calculated by the straight-line method based on the estimated useful lives of the assets. The range of useful lives of property, plant and equipment is summarized as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 22 years

Amortization is calculated by the straight-line method for intangible assets except for lease assets.

Depreciation of lease assets arising from finance lease transactions that do not involve transfer of ownership is calculated by the straight-line method over the lease term with no residual value.

(10) Retirement Benefits

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 15 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 15 years), which are shorter than the average remaining years of service of the employees.

Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded in "Retirement benefits liability adjustments" in net assets after adjusting income tax effect.

(11) Surplus on the Revaluation of Land

Pursuant to the Law Concerning the Revaluation of Land, land used for the Company's business operations was revalued on March 31, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities on surplus on the revaluation of land" and the remaining balance has been presented under net assets as "Surplus on the revaluation of land, net of income taxes" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,643 million ($14,796 thousand) and ¥1,817 million as of March 31, 2019 and 2018, respectively.

(12) Income Taxes

Current income taxes comprising corporation tax, enterprise tax and inhabitants' taxes are provided for based on amounts currently payable for each year. Deferred income taxes arising from temporary differences between financial reporting and tax bases of the assets and liabilities, which were measured using the enacted tax rates and laws that will be in effect when the temporary differences are expected to reverse, are reflected in the consolidated financial statements.

The Company and its domestic wholly-owned subsidiaries file a consolidated corporation tax return.

(13) Amounts per Share

Profit attributable to owners of parent per share is computed based on the profit available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Net assets per share are computed based on the net assets excluding non-controlling interests and the number of common stock outstanding at the year-end.

(14) Foreign Currency Translation

Foreign currency-denominated monetary assets and liabilities are translated into Japanese yen using the rates of exchange in effect at the balance sheet date. Differences arising from the translation are included in the consolidated statements of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests, which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and non-controlling interests in the consolidated financial statements.

(15) Hedging Activities

The Furukawa Group uses derivative financial instruments for the purpose of hedging the risks of adverse fluctuations in foreign exchange rates on the trade receivables, trade payables and forecast transactions denominated in foreign currencies, commodity prices and interest rates. All derivative financial instruments except those below are stated at fair value and related gain or loss on the changes in the fair values of derivative financial instruments is deferred as a component of net assets in the balance sheet until the recognition of gain or loss on hedged items when those derivative financial instruments qualify for hedge accounting.

Trade receivables, trade payables and forecast transactions denominated in foreign currencies are translated at the contracted rates if the relating forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not carried at fair value, but any differences paid or received on the interest rate swaps are recognized as adjustments to interest expense or income over the life of each swap, thereby adjusting the effective interest rate on the hedged items.

(16) Shareholders' Equity

The Company Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

3. Changes in Presentation Method

Change in presentation method due to adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued on February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. Deferred tax assets are now being presented in the investments and other assets section of the balance sheet, deferred tax liabilities are now being presented in the long-term liabilities section of the balance sheet, and notes related to tax effect accounting (Note 15) have been changed.

As a result, on the consolidated balance sheet as of March 31, 2018, the amount of deferred tax assets within currents assets was decreased by ¥856 million, and that of deferred tax assets within investments and other assets was increased by ¥316 million. The amount of deferred tax liabilities within current liabilities was decreased by ¥16 million, and that of deferred tax liabilities within long-term liabilities was decreased by ¥524 million.

In addition, deferred tax assets and deferred tax liabilities of same taxpayer are offset, and the amount of total assets in the previous period was decreased by ¥540 million.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥111.01=US$1.00, the exchange rate prevailing on March 31, 2019. This translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

5. Investment Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2019 and 2018 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2019			**2019**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	**¥ 24,442**	**¥ 12,030**	**¥ 12,412**	**$ 220,177**	**$ 108,365**	**$ 111,812**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	24,442	**12,030**	**12,412**	**220,177**	**108,365**	**111,812**
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	**3,601**	**4,196**	**(595)**	**32,434**	**37,795**	**(5,361)**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	3,601	**4,196**	**(595)**	**32,434**	**37,795**	**(5,361)**
Total	**¥ 28,042**	**¥ 16,225**	**¥ 11,817**	**$ 252,612**	**$ 146,160**	**$ 106,452**

	Millions of yen		
	2018		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 33,700	¥ 15,026	¥ 18,674
Government bonds	—	—	—
Corporate bonds	—	—	—
	33,700	15,026	18,674
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	808	922	(114)
Government bonds	—	—	—
Corporate bonds	—	—	—
	808	922	(114)
Total	¥ 34,508	¥ 15,948	¥ 18,560

Gain on sales of securities classified as other securities with aggregate gains for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Sales proceeds	**¥ 444**	¥ 48	**$ 4,001**
Aggregate gains	**215**	21	**1,933**
Aggregate losses	**(0)**	—	**(0)**

6. Long-Lived Assets

The Furukawa Group recognized an impairment loss of ¥1,610 million ($14,503 thousand) in other expense related to the buildings, structures and equipment asset group for business property in Osaka City due to significant decreases of business profitability, and the idle asset group due to significant decreases in fair value. The carrying amount of the relevant assets were written down to the recoverable amount for the year ended March 31, 2019.

7. Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt, most of which are unsecured, represented notes payable to banks, with the average interest rates of 0.6% and 0.4% as of March 31, 2019 and 2018, respectively.

Long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2019 to 2038	**¥ 62,859**	¥ 64,086	**$ 566,248**
	62,859	64,086	**566,248**
Current portion of long-term debt	**(7,467)**	(26,728)	**(67,262)**
	¥ 55,392	¥ 37,358	**$ 498,986**

The average interest rates applicable to the above debt amounting to ¥62,859 million ($566,248 thousand) and ¥64,086 million were 0.6% and 0.7% as of March 31, 2019 and 2018, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2019**	
2020	**¥ 7,467**	**$ 67,262**
2021	**3,008**	**27,099**
2022	**2,119**	**19,092**
2023	**5,114**	**46,070**
2024	**8,927**	**80,416**
2025 and thereafter	**36,224**	**326,310**
	¥ 62,859	**$ 566,248**

Lease obligations as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Lease obligations due 2019 to 2026	**¥ 663**	¥ 815	**$ 5,971**
	663	815	**5,971**
Current portion of lease obligations	**(258)**	(260)	**(2,321)**
	¥ 405	¥ 555	**$ 3,650**

The aggregate annual maturities of lease obligations subsequent to March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2019**	
2020	**¥ 258**	**$ 2,321**
2021	**168**	**1,514**
2022	**137**	**1,234**
2023	**80**	**717**
2024	**19**	**175**
2025 and thereafter	**1**	**10**
	¥ 663	**$ 5,971**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥37,014 million ($333,429 thousand) with 24 banks and ¥37,014 million with 24 banks as of March 31, 2019 and 2018, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥8,764 million ($78,948 thousand) and ¥28,250 million ($254,482 thousand), respectively, as of March 31, 2019, and amounted to ¥8,596 million and ¥28,418 million, respectively, as of March 31, 2018.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2019 and 2018 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Property, plant and equipment, net	**¥ 1,414**	¥ 1,432	**$ 12,741**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Long-term debt (including current portion)	**¥ 1,707**	¥ 1,568	**$ 15,381**

8. Net Assets

Types and number of shares issued and in treasury

	Thousands of shares			
	As of March 31, 2018	Increase	Decrease	As of March 31, 2019
Shares issued:				
Common stock	40,446	—	—	40,446
Total	40,446	—	—	40,446
Treasury stock:				
Common stock (Note)	42	862	—	904
Total	42	862	—	904

Note: The increase of 862 thousand shares of equity in treasury stock was due to the purchase of shares based on the resolution of the Board of Directors on November 26, 2018.

The increase of 0 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.

Types and number of shares issued and in treasury

	Thousands of shares			
	As of March 31, 2017	Increase	Decrease	As of March 31, 2018
Shares issued:				
Common stock (*1, 2)	404,455	—	364,009	40,446
Total	404,455	—	364,009	40,446
Treasury stock:				
Common stock (*1, 3, 4)	413	3	374	42
Total	413	3	374	42

(*1) On October 1, 2017, a share consolidation was undertaken at a ratio of 1 share for 10 shares of the Company’s common stock.
(*2) The decrease of 364,009 thousand shares of equity in common stock was due to the stock consolidation.
(*3) The increase of 3 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.
(*4) The decrease of 374 thousand shares of equity in treasury stock was due to the stock consolidation.

9. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unrealized holding gain (loss) on securities, net of income taxes:			
Amounts arising during the year	**¥ (6,528)**	¥ 3,934	**$ (58,802)**
Reclassification adjustments for gains and losses included in profit	**(215)**	(16)	**(1,934)**
Amounts before tax effect	**(6,742)**	3,918	**(60,736)**
Tax effect	**1,562**	(1,159)	**14,072**
Unrealized holding gain (loss) on securities, net of income taxes	**(5,180)**	2,759	**(46,664)**
Deferred gain (loss) on hedges:			
Amounts arising during the year	**(473)**	536	**(4,259)**
Adjustments on the acquisition cost of assets	**358**	(552)	**3,224**
Amounts before tax effect	**(115)**	(16)	**(1,035)**
Tax effect	**52**	(8)	**472**
Deferred gain (loss) on hedges	**(63)**	(24)	**(564)**
Translation adjustments:			
Amounts arising during the year	**(318)**	(46)	**(2,865)**
Retirement benefits liability adjustments:			
Amounts arising during the year	**(3,941)**	2,259	**(35,505)**
Reclassification adjustments for gains and losses included in profit	**(27)**	414	**(242)**
Amounts before tax effect	**(3,968)**	2,673	**(35,747)**
Tax effect	**1,492**	(794)	**13,436**
Retirement benefits liability adjustments	**(2,477)**	1,879	**(22,311)**
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Amounts arising during the year	**(200)**	(41)	**(1,804)**
Reclassification adjustments for gains and losses included in profit	**(4)**	91	**(33)**
Share of other comprehensive income (loss) of affiliates accounted for using equity method	**(204)**	50	**(1,838)**
Total other comprehensive income (loss)	**¥ (8,242)**	¥ 4,618	**$ (74,242)**

10. Research and Development Expenses

Research and development expenses, included in selling, general and administrative expenses and cost of sales, for the years ended March 31, 2019 and 2018 amounted to ¥1,505 million ($13,556 thousand) and ¥2,293 million, respectively.

11. Leases

Leases' accounting

Finance lease transactions that do not involve transfer of ownership

1. Leased asset quality

    Tangible assets

    Mainly machinery and equipment

2. Depreciation method of leased assets

    Refer to "(9) Property, Plant and Equipment and Depreciation" in "2. Summary of Significant Accounting Policies."

12. Financial Instruments

1. Overview

(1) Policy for financial instruments

In consideration of the annual financial plan, the Furukawa Group raises funds through mainly bank borrowings and bond issues. Further, the Furukawa Group raises short-term capital through mainly bank borrowings. The Furukawa Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivables—are exposed to credit risk in relation to customers. In addition, the Furukawa Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts.

Investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Furukawa Group has business relationships.

Substantially all trade payables—trade notes, electronically recorded obligations and accounts payables—have payment due dates within one year.

Short-term debt is raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Furukawa Group utilizes rate swap transactions as a hedging instrument for each contract. The assessment of effectiveness is omitted since it meets conditions of specific matching criteria for interest rate swap.

Regarding derivatives, the Furukawa Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Furukawa Group also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for debt bearing interest at variable rates. In addition, the Furukawa Group enters into forward commodity exchange contracts to reduce fluctuation risk of the commodity price of inventories. Information regarding the method of hedge accounting, hedging instruments, hedged items, hedging policy and the assessment of effectiveness of hedging activities is found in "(15) Hedging Activities" in "2. Summary of Significant Accounting Policies."

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Furukawa Group for managing credit risk arising from receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer.

In utilizing derivatives, the Furukawa Group has transactions with major financial institutions or trading companies which have high credit to reduce credit risk.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Furukawa Group identifies the foreign currency exchange risk for each currency on a monthly basis and principally enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Furukawa Group enters into interest rate swap transactions.

For investment securities, the Furukawa Group periodically reviews the fair values of such financial instruments.

In conducting or managing derivative transactions, each division makes transactions by approval of the directors of transaction-related divisions.

(c) Monitoring of liquidity risk (the risk that the Furukawa Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Furukawa Group prepares and updates its cash flow plans on a monthly basis to manage liquidity risk.

(4) Supplementary explanation on the estimated fair value of financial instruments

The value of financial instruments is based on their quoted market place, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in "13. Derivative Transactions" are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2019 and 2018 and estimated fair value are shown as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below.)

	Millions of yen			Thousands of U.S. dollars		
	2019			**2019**		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
(1) Cash and cash equivalents	**¥ 14,329**	**¥ 14,329**	**¥ —**	**$ 129,080**	**$ 129,080**	**$ —**
(2) Receivables—trade	**30,668**	**30,668**	**—**	**276,267**	**276,267**	**—**
(3) Investment securities	**28,042**	**28,042**	**—**	**252,612**	**252,612**	**—**
Total assets	**73,040**	**73,040**	**—**	**657,959**	**657,959**	**—**
Liabilities:						
(1) Payables—trade	**¥ 12,691**	**¥ 12,691**	**¥ —**	**$ 114,325**	**$ 114,325**	**$ —**
(2) Electronically recorded obligations	**12,233**	**12,233**	**—**	**110,196**	**110,196**	**—**
(3) Accounts payable—other	**9,895**	**9,895**	**—**	**89,135**	**89,135**	**—**
(4) Short-term debt (*1)	**9,738**	**9,738**	**—**	**87,722**	**87,722**	**—**
(5) Long-term debt (*1)	**62,859**	**62,978**	**119**	**566,248**	**567,322**	**1,074**
Total liabilities	**107,416**	**107,535**	**119**	**967,626**	**968,700**	**1,074**
Derivatives (*2)	**¥ 23**	**¥ 23**	**¥ —**	**$ 206**	**$ 206**	**$ —**

	Millions of yen		
	2018		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 10,200	¥ 10,200	¥ —
(2) Receivables—trade	31,321	31,321	—
(3) Investment securities	34,508	34,508	—
Total assets	76,029	76,029	—
Liabilities:			
(1) Payables—trade	¥ 13,072	¥ 13,072	¥ —
(2) Electronically recorded obligations	10,644	10,644	—
(3) Accounts payable—other	14,225	14,225	—
(4) Short-term debt (*1)	9,225	9,225	—
(5) Long-term debt (*1)	64,086	64,133	47
Total liabilities	111,252	111,299	47
Derivatives (*2)	¥ 138	¥ 138	¥ —

(*1) Current portion of long-term debt is included in long-term debt.

(*2) The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and cash equivalents, (2) Receivables—trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Investment securities

The fair value of stocks is based on market prices. For information on securities classified by holding purpose, please refer to "5. Investment Securities" to the consolidated financial statements.

Liabilities

(1) Payables—trade, (2) Electronically recorded obligations, (3) Accounts payable—other, (4) Short-term debt

Since these items are settled in a short period of time, their carrying value approximates fair value.

(5) Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Derivative transactions

Please refer to "13. Derivative Transactions" to the consolidated financial statements.

2. Financial instruments of which it is extremely difficult to determine the fair value as of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unlisted stocks	**¥ 5,024**	¥ 5,451	**$ 45,260**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table of "(3) Investment securities."

3. Redemption schedule for receivables and marketable securities with maturities after March 31, 2019 and 2018 are as follows:

For the year ended March 31, 2019

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposits	**¥ 14,294**	**¥ —**	**¥ —**	**¥ —**
Receivables—trade	**30,668**	**—**	**—**	**—**
Total	**¥ 44,963**	**¥ —**	**¥ —**	**¥ —**

For the year ended March 31, 2018

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposits	¥ 10,150	¥ —	¥ —	¥ —
Receivables—trade	31,321	—	—	—
Total	¥ 41,471	¥ —	¥ —	¥ —

For the year ended March 31, 2019

Thousands of U.S. dollars	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposits	**$ 128,767**	**$ —**	**$ —**	**$ —**
Receivables—trade	**276,267**	**—**	**—**	**—**
Total	**$ 405,034**	**$ —**	**$ —**	**$ —**

4. The redemption schedule for long-term debt is disclosed in "7. Short-Term Debt, Long-Term Debt and Lease Obligations."

13. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding as of March 31, 2019 and 2018 for which hedged accounting have been applied are as follows.

1. Currency-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2019		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**¥ 895**	**—**	**¥ 0**
	EUR	Accounts receivables	**12**	**—**	**0**
	U.S. dollars	Accounts payables	**8,082**	**—**	**(21)**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**—**	**—**	**(*)**
	EUR	Accounts receivables	**¥ 142**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payables	**¥ 2,828**	**—**	**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2018		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	¥ 1,062	—	¥ (4)
	EUR	Accounts receivables	—	—	—
	U.S. dollars	Accounts payables	13,505	—	259
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	¥ 111	—	(*)
	EUR	Accounts receivables	267	—	(*)
	Buy:				
	U.S. dollars	Accounts payables	¥ 8,076	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2019		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**$ 8,065**	**—**	**$ 6**
	EUR	Accounts receivables	**105**	**—**	**5**
	U.S. dollars	Accounts payables	**72,801**	**—**	**(190)**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**—**	**—**	**(*)**
	EUR	Accounts receivables	**$ 1,281**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payables	**$ 25,480**	**—**	**(*)**

Note: The fair values of forward foreign exchange contracts are based on exchange rates or prices provided by financial institutions.
(*) The fair values by means of the allocation method for forward foreign exchange contracts are included in the fair values of the hedged accounts receivables and payables because the derivative transactions are treated as a part of hedged accounts receivables and payables.

2. Interest-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2019 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**¥ 15,131**	**¥ 12,533**	**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2018 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	¥ 16,379	¥ 2,073	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2019 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**$ 136,299**	**$ 112,900**	**(*)**

(*) The fair values by means of the special accounting procedure for interest rate swap are included in the fair values of the hedged long-term debt because the derivative transactions are treated as a part of hedged long-term debt.

3. Commodity-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2019 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**¥ —**	**¥ —**	**¥ —**
	Buy:				
	Copper	Raw material	**¥ 1,720**	**¥ 16**	**¥ 43**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2018 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	¥ 1	¥ —	¥ (0)
	Buy:				
	Copper	Raw material	¥ 7,256	¥ 21	¥ (117)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2019 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**$ —**	**$ —**	**$ —**
	Buy:				
	Copper	Raw material	**$ 15,492**	**$ 142**	**$ 384**

Note: The fair values of forward product contracts are based on prices provided by trading companies.

14. Retirement Benefit Plans

For the year ended March 31, 2019

The employees of the Company and most of its domestic consolidated subsidiaries are covered by defined benefit corporate pension plans and non-contributory funded employee pension plans as defined benefit plans. The employee retirement benefit plans provide for lump-sum payments. The employee pension plans, which are funded, were instituted to replace a certain portion of the benefits under the retirement benefit plans with respect to employees who retire at the mandatory retirement age. Certain consolidated subsidiaries (both domestic and foreign) have defined contribution plans.

The changes in the retirement benefit obligation during the year ended March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	
Retirement benefit obligation at April 1, 2018	**¥ 20,166**	**$ 181,662**
Service cost	**912**	**8,215**
Interest cost	**122**	**1,102**
Actuarial loss	**127**	**1,145**
Retirement benefits paid	**(1,231)**	**(11,091)**
Prior service cost	**76**	**685**
Exchange translation adjustment	**(37)**	**(332)**
Other	**—**	**—**
Retirement benefit obligation at March 31, 2019	**¥ 20,136**	**$ 181,385**

The changes in plan assets during the year ended March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	
Plan assets at April 1, 2018	**¥ 15,491**	**$ 139,542**
Expected return on plan assets	**234**	**2,108**
Actual loss	**(3,752)**	**(33,795)**
Contributions by the Company	**355**	**3,194**
Retirement benefits paid	**(745)**	**(6,709)**
Exchange translation adjustment	**(38)**	**(339)**
Others	**—**	**—**
Plan assets at March 31, 2019	**¥ 11,545**	**$ 104,002**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2019 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2019	
Funded retirement benefit obligation	**¥ 19,444**	**$ 175,159**
Plan assets at fair value	**(11,545)**	**(104,002)**
	7,899	**71,157**
Unfunded retirement benefit obligation	**691**	**6,226**
Net liability for retirement benefits in the balance sheet	**8,590**	**77,383**
Liability for retirement benefits	**8,801**	**79,279**
Asset for retirement benefits	**(210)**	**(1,896)**
Net liability for retirement benefits in the balance sheet	**¥ 8,590**	**$ 77,383**

The components of retirement benefit expense for the year ended March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	
Service cost	¥ **912**	$ **8,215**
Interest cost	**122**	**1,102**
Expected return on plan assets	**(234)**	**(2,108)**
Amortization of prior service cost	**24**	**219**
Amortization of actuarial loss	**(51)**	**(461)**
Retirement benefit expense	¥ **773**	$ **6,967**

Note: Retirement benefit expense for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) as of March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	
Prior service cost	¥ **(52)**	$ **(466)**
Actuarial loss	**(3,917)**	**(35,281)**
Total	¥ **(3,968)**	$ **(35,747)**

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	
Unrecognized prior service cost	¥ **156**	$ **1,408**
Unrecognized actuarial loss	**3,377**	**30,421**
Total	¥ **3,533**	$ **31,829**

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 are as follows:

	2019
Bonds	**18%**
Stocks	**58%**
Cash on hand and in banks	**1%**
Other	**23%**
Total	**100%**

Note: 47% of total plan assets are in a Retirement Benefit Trust for corporate pension plans and non-contributory funded employee pension plans.

Matters related to the actual assumption

Major actuarial assumptions at the end of the period:

Discount rates	mainly 0.2%
Expected rates of return on plan assets	mainly 2.0%
Expected rates of salary increase	3.6%–5.3%

Defined contribution plan

The amount which a consolidated subsidiary has contributed or is obligated to contribute to the plan for the fiscal year is ¥18 million ($158 thousand).

The changes in the retirement benefit obligation during the year ended March 31, 2018 are as follows:

	Millions of yen
	2018
Retirement benefit obligation at April 1, 2017	¥ 19,827
Service cost	927
Interest cost	145
Actuarial loss	345
Retirement benefits paid	(1,025)
Exchange translation adjustment	(55)
Other	2
Retirement benefit obligation at March 31, 2018	¥ 20,166

The changes in plan assets during the year ended March 31, 2018 are as follows:

	Millions of yen
	2018
Plan assets at April 1, 2017	¥ 13,294
Expected return on plan assets	305
Actual loss	2,506
Contributions by the Company	350
Retirement benefits paid	(905)
Exchange translation adjustment	(59)
Others	—
Plan assets at March 31, 2018	¥ 15,491

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen
	2018
Funded retirement benefit obligation	¥ 19,494
Plan assets at fair value	(15,491)
	4,003
Unfunded retirement benefit obligation	673
Net liability for retirement benefits in the balance sheet	4,676
Liability for retirement benefits	4,676
Net liability for retirement benefits in the balance sheet	¥ 4,676

The components of retirement benefit expense for the year ended March 31, 2018 are as follows:

	Millions of yen
	2018
Service cost	¥ 927
Interest cost	145
Expected return on plan assets	(305)
Amortization of prior service cost	19
Amortization of actuarial loss	395
Retirement benefit expense	¥ 1,181

Note: Retirement benefit expense for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) as of March 31, 2018 are as follows:

	Millions of yen
	2018
Prior service cost	¥ 19
Actuarial loss	2,654
Total	¥ 2,673

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 are as follows:

	Millions of yen
	2018
Unrecognized prior service cost	¥ 105
Unrecognized actuarial loss	(540)
Total	¥ (435)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 are as follows:

	2018
Bonds	13%
Stocks	67%
Cash on hand and in banks	2%
Other	18%
Total	100%

Note: 59% of total plan assets are in a Retirement Benefit Trust for corporate pension plans and non-contributory funded employee pension plans.

Matters related to the actual assumption

Major actuarial assumptions at the end of the period:

Discount rates	mainly 0.3%
Expected rates of return on plan assets	mainly 2.0%
Expected rates of salary increase	3.6%–5.3%

Defined contribution plan

The amount which a consolidated subsidiary has contributed or is obligated to contribute to the plan for the fiscal year is ¥15 million.

15. Income Taxes

The reconciliation between the effective tax rate reflected in the consolidated statements of income and the statutory tax rate for the year ended March 31, 2018 was summarized as follows:

	2018
Statutory tax rate	30.9%
Non-deductible expenses for tax purposes	0.6
Non-taxable dividends and other income	(0.7)
Tax deduction such as R&D expenses	(2.7)
Inhabitants' per capital tax	1.2
Equity in earnings and losses of affiliates	(1.7)
Undistributed profits of subsidiaries	2.4
Changes in valuation allowance	(1.6)
Different tax rates applied to subsidiaries	(0.3)
Decrease in differed tax liability due to the revision of statutory income tax rate	(1.7)
Other	(1.1)
Effective tax rate	25.3%

The above information for 2019 has not been presented because the difference between the effective tax rate and the statutory tax rate was less than 5% of the statutory tax rate.

Deferred tax assets and liabilities as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred tax assets:			
Liability for retirement benefits	**¥ 7,365**	¥ 6,317	**$ 66,346**
Investment securities	**1,526**	1,047	**13,744**
Net operating loss carryforwards	**4,190**	5,072	**37,745**
Land	**1,869**	1,869	**16,835**
Provision for deposition field restoration	**67**	206	**603**
Provision for cost of removal of office tenants	**173**	242	**1,563**
Other	**1,659**	1,100	**14,943**
Total gross deferred tax assets	**16,849**	15,853	**151,778**
Valuation allowance	**(7,495)**	(7,276)	**(67,520)**
Total deferred tax assets	**9,353**	8,577	**84,258**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,342)**	(1,248)	**(12,092)**
Gain from establishment of trust for retirement benefit plans	**(3,020)**	(3,020)	**(27,203)**
Land	**(7,003)**	(7,003)	**(63,083)**
Unrealized holding gain on securities	**(2,471)**	(4,033)	**(22,261)**
Other	**(352)**	(430)	**(3,170)**
Total deferred tax liabilities	**(14,188)**	(15,734)	**(127,809)**
Net deferred tax liabilities	**¥ (4,835)**	¥ (7,157)	**$ (43,551)**
Deferred tax liabilities on surplus on the revaluation of land	**¥ (1,477)**	¥ (1,779)	**$ (13,304)**

16. Contingent Liabilities

Contingent liabilities as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Notes receivables discounted and endorsed	**¥ 179**	¥ 183	**$ 1,610**
Loans guaranteed	**3,736**	3,627	**33,652**
Repurchase obligation of the securitization of receivables	**861**	1,320	**7,757**

17. Write-Down of Inventories

The amount of write-down of inventories, included in cost of sales for the year ended March 31, 2019 totaled ¥(110) million ($(993) thousand). For the year ended March 31, 2018, the Company reversed write-down in the amount of ¥312 million and credited it to cost of sales.

18. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Gain on sales of noncurrent assets	**¥ 224**	¥ 12	**$ 2,016**
Gain on sales of investment securities	**215**	21	**1,933**
Payments for idle mines	**(673)**	(607)	**(6,061)**
Financial cost	**(280)**	73	**(2,521)**
Provision for cost of removal of office tenants	**—**	(1,042)	**—**
Impairment loss	**(1,610)**	(142)	**(14,503)**
Other, net	**(12)**	(132)	**(112)**
	¥ (2,137)	¥ (1,816)	**$ (19,248)**

19. Segment Information

The reportable segments are constituent units of the Furukawa Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocations of management resources and evaluating operating performance.

The Company mainly manufactures and sells machinery, smelts on consignment and sells copper, and manufactures and sells electronic materials and chemicals.

Under the holdings company structure, each main Group company plans domestic and overseas comprehensive strategies about their products, and the Company manages and supervises them.

The Furukawa Group therefore categorizes segments classified by products based on main Group companies. The seven reportable segments are as follows: Industrial Machinery, Rock Drill Machinery, UNIC Machinery, Metals, Electronics, Chemicals and Real Estate.

Main products and services belonging to each segment are as follows:

(a) Industrial Machinery
Manufacture, sell, conduct installation work and manage operation for pumps, steel structures, steel bridges, industrial machinery (crushers, grinding mills, screens, briquetting machines, material handling system, environmental machinery, recycling machines, and so on) and heat-resistant and wear-resistant castings

(b) Rock Drill Machinery
Manufacture and sell rock drills such as hydraulic breakers, hydraulic crushers, boring drills (air pressure crawler drills, hydraulic crawler drills, down-the-hole drills, and so on), tunnel and mining drill jumbos (tunnel drill jumbos, concrete sprayers used in mine cavities, drill jumbos used in mines, and so on), and environmental machinery

(c) UNIC Machinery
Manufacture and sell UNIC cranes, mini crawler cranes, ocean cranes and UNIC carriers

(d) Metals
After buying ore, manufacture and sell electrolytic copper, gold, silver and sulfuric acid which is smelted on consignment by joint smelting company, dig and distribute limestone
(e) Electronics
Manufacture and sell high-purity metallic arsenic, crystals, cores and coils, aluminum nitride ceramics and optical components
(f) Chemicals
Manufacture and sale cuprous oxide, ferric polysulfate aqueous solution, aluminum sulfate, sulfuric acid, cuprous dioxide and copper dioxide, and sale titanium dioxide
(g) Real Estate
Trade and lease of real estate

The accounting method used for reportable segments is the same as that method stated in "2. Summary of Significant Accounting Policies." Operating income (loss) of reportable segments is based on operating income in the consolidated statements of income. Intersegment sales and transfers are recorded based on the actual market prices.

Segment information of the Furukawa Group for the years ended March 31, 2019 and 2018 was as follows:

Year ended March 31, 2019	Millions of yen				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics
Sales and operating income (loss):					
Outside customers	¥ **17,971**	¥ **30,372**	¥ **29,237**	¥ **80,068**	¥ **6,527**
Intersegment	**3,204**	**1**	**139**	**230**	**1**
Total	**21,175**	**30,373**	**29,376**	**80,298**	**6,528**
Operating income (loss)	¥ **2,089**	¥ **1,690**	¥ **2,789**	¥ **582**	¥ **408**
Others:					
Segment assets	¥ **21,605**	¥ **36,562**	¥ **30,289**	¥ **29,771**	¥ **7,096**
Depreciation	**320**	**630**	**870**	**227**	**276**
Investments in equity-method affiliates	**—**	**—**	**95**	**2,929**	**214**
Increase in tangible fixed assets and intangible fixed assets	**262**	**1,370**	**2,284**	**55**	**112**

Year ended March 31, 2019	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	¥ **6,127**	¥ **2,999**	¥ **814**	¥ **—**	¥ **174,117**
Intersegment	**53**	**20**	**1,647**	**(5,294)**	**—**
Total	**6,180**	**3,020**	**2,461**	**(5,294)**	**174,117**
Operating income (loss)	¥ **407**	¥ **1,164**	¥ **(147)**	¥ **(65)**	¥ **8,915**
Others:					
Segment assets	¥ **16,176**	¥ **27,754**	¥ **3,045**	¥ **43,070**	¥ **215,368**
Depreciation	**210**	**564**	**106**	**52**	**3,255**
Investments in equity-method affiliates	**—**	**—**	**21**	**—**	**3,260**
Increase in tangible fixed assets and intangible fixed assets	**84**	**24**	**16**	**620**	**4,827**

Year ended March 31, 2018	Millions of yen				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics
Sales and operating income (loss):					
Outside customers	¥ 15,872	¥ 30,200	¥ 27,382	¥ 77,334	¥ 6,308
Intersegment	3,023	129	151	236	1
Total	18,895	30,329	27,533	77,570	6,309
Operating income (loss)	¥ 1,005	¥ 1,783	¥ 2,295	¥ 867	¥ 330
Others:					
Segment assets	¥ 23,657	¥ 31,838	¥ 27,026	¥ 35,887	¥ 7,333
Depreciation	325	572	711	221	295
Investments in equity-method affiliates	—	—	88	3,393	205
Increase in tangible fixed assets and intangible fixed assets	287	390	3,980	79	113

Year ended March 31, 2018	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	¥ 6,345	¥ 3,339	¥ 916	¥ —	¥ 167,696
Intersegment	53	23	1,578	(5,194)	—
Total	6,398	3,362	2,494	(5,194)	167,696
Operating income (loss)	¥ 451	¥ 1,340	¥ (195)	¥ (55)	¥ 7,821
Others:					
Segment assets	¥ 16,068	¥ 30,901	¥ 3,508	¥ 45,993	¥ 222,221
Depreciation	212	582	105	56	3,079
Investments in equity-method affiliates	—	—	—	—	3,686
Increase in tangible fixed assets and intangible fixed assets	113	129	86	219	5,396

Year ended March 31, 2019	Thousands of U.S. dollars				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics
Sales and operating income (loss):					
Outside customers	**$ 161,889**	**$ 273,600**	**$ 263,376**	**$ 721,268**	**$ 58,800**
Intersegment	**28,864**	**6**	**1,253**	**2,071**	**7**
Total	**190,753**	**273,606**	**264,628**	**723,340**	**58,807**
Operating income (loss)	**$ 18,817**	**$ 15,223**	**$ 25,124**	**$ 5,241**	**$ 3,673**
Others:					
Segment assets	**$ 194,623**	**$ 329,359**	**$ 272,852**	**$ 268,185**	**$ 63,922**
Depreciation	**2,882**	**5,673**	**7,838**	**2,046**	**2,485**
Investments in equity-method affiliates	**—**	**—**	**856**	**26,384**	**1,931**
Increase in tangible fixed assets and intangible fixed assets	**2,361**	**12,339**	**20,578**	**495**	**1,011**

Year ended March 31, 2019	Thousands of U.S. dollars				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	**$ 55,195**	**$ 27,020**	**$ 7,333**	**$ —**	**$1,568,479**
Intersegment	**474**	**181**	**14,836**	**(47,691)**	**—**
Total	**55,668**	**27,200**	**22,169**	**(47,691)**	**1,568,479**
Operating income (loss)	**$ 3,663**	**$ 10,482**	**$ (1,325)**	**$ (584)**	**$ 80,312**
Others:					
Segment assets	**$ 145,715**	**$ 250,013**	**$ 27,431**	**$ 387,979**	**$1,940,079**
Depreciation	**1,889**	**5,083**	**952**	**470**	**29,318**
Investments in equity-method affiliates	**—**	**—**	**192**	**—**	**29,363**
Increase in tangible fixed assets and intangible fixed assets	**754**	**215**	**141**	**5,589**	**43,483**

(Related information)

Years ended March 31, 2019 and 2018

1. Information regarding products and services

Year ended March 31, 2019	Millions of yen			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	**¥ 60,852**	**¥ 18,792**	**¥ 94,472**	**¥ 174,117**

Year ended March 31, 2018	Millions of yen			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	¥ 65,178	¥ 17,770	¥ 84,748	¥ 167,696

Year ended March 31, 2019	Thousands of U.S. dollars			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	**$ 548,167**	**$ 169,286**	**$ 851,026**	**$ 1,568,479**

2. Geographic segment information

(1) Net sales

Year ended March 31, 2019

Millions of yen			
Japan	Asia	Others	Total
¥ 137,305	**¥ 20,883**	**¥ 15,930**	**¥ 174,117**

Year ended March 31, 2018

Millions of yen			
Japan	Asia	Others	Total
¥ 128,209	¥ 22,548	¥ 16,939	¥ 167,696

Year ended March 31, 2019

Thousands of U.S. dollars			
Japan	Asia	Others	Total
$ 1,236,866	**$ 188,114**	**$ 143,499**	**$ 1,568,479**

(2) Property, plant and equipment

The geographic segment information for the years ended March 31, 2019 and 2018 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2019

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**¥ 28,310**	**Metals**

Year ended March 31, 2018

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	¥ 26,306	Metals

Year ended March 31, 2019

	Thousands of U.S. dollars	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**$255,023**	**Metals**

4. Impairment loss on property, plant and equipment

	Millions of yen									
Year ended March 31, 2019	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 1,561**	**¥ 49**	**—**	**¥ 1,610**

	Millions of yen									
Year ended March 31, 2018	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	—	—	—	—	—	—	¥ 1	¥ 141	—	¥ 142

	Thousands of U.S. dollars									
Year ended March 31, 2019	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**$ 14,063**	**$ 440**	**—**	**$ 14,503**

5. Amortization of goodwill and unamortized goodwill in reportable segments

Not applicable.

6. Gain on negative goodwill in reportable segments

Not applicable.

20. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. For the year ended March 31, 2019, rental income was ¥1,555 million ($14,004 thousand), gain on sales of rental properties was ¥206 million ($1,856 thousand), impairment loss on rental properties was ¥1,600 million ($14,409 thousand) and other loss was ¥2 million ($17 thousand).

For the year ended March 31, 2018, rental income was ¥1,603 million, gain on sales of rental properties was ¥5 million, loss on retirement was ¥10 million and impairment loss on rental properties was ¥102 million.

The carrying value, net changes in the carrying value and the fair value of those properties as of and for the years ended March 31, 2019 and 2018 are as follows:

Year ended March 31, 2019

Carrying value			Fair value
As of March 31, 2018	Net change	As of March 31, 2019	As of March 31, 2019
	Millions of yen		
¥ 34,699	**¥ (3,067)**	**¥ 31,632**	**¥ 34,186**

Year ended March 31, 2018

Carrying value			Fair value
As of March 31, 2017	Net change	As of March 31, 2018	As of March 31, 2018
	Millions of yen		
¥ 35,209	¥ (510)	¥ 34,699	¥ 36,541

Year ended March 31, 2019

Carrying value			Fair value
As of March 31, 2018	Net change	As of March 31, 2019	As of March 31, 2019
	Thousands of U.S. dollars		
$ 312,578	**$ (27,630)**	**$ 284,948**	**$ 307,954**

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. Net change in carrying value for the year ended March 31, 2019 mainly consists of acquisition of land and buildings in the amount of ¥17 million ($151 thousand) and decreases mainly due to amortization in the amount of ¥479 million ($4,312 thousand), impairment loss on rental properties in the amount of ¥1,600 million ($14,409 thousand) and sales of land in the amount of ¥1,003 million ($9,033 thousand). Net change in carrying value for the year ended March 31, 2018 mainly consists of increases related to change of use in the amount of ¥75 million and acquisition of land and buildings in the amount of ¥22 million and decreases mainly due to amortization in the amount of ¥504 million, impairment loss on rental properties in the amount of ¥102 million and sales of land and buildings in the amount of ¥2 million.
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

21. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements, were approved at a shareholders' meeting held on June 27, 2019:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥50.00=$0.45 per share)	**¥ 1,977**	**$ 17,810**
Transfer to legal reserve	**198**	**1,781**
	¥ 2,175	**$ 19,591**

Building a better working world

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Independent Auditor's Report

The Board of Directors
Furukawa Co., Ltd.

We have audited the accompanying consolidated financial statements of Furukawa Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Co., Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 27, 2019
Tokyo, Japan

Corporate Data and Stock Data

Corporate Data (As of March 31, 2019)

Company Name:	Furukawa Co., Ltd.
Head Office:	2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8370, Japan
Tel:	+81-3-3212-6570 Fax: +81-3-3212-6578
Date of Foundation:	August 1875
Date of Establishment:	April 1918
Stock Exchange Listing:	Tokyo
Securities Code Number:	5715
Employees:	2,757 (Consolidated)

Corporate Data (As of March 31, 2019)

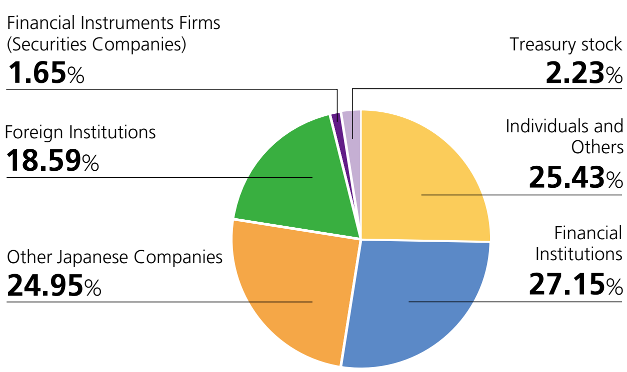
Number of Shares Authorized:	80,000,000 shares
Number of Shares Outstanding:	40,445,568 shares
Number of Shareholders:	20,874
Stock Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares (%)
Asahi Mutual Life Insurance Co.	2,373	6.00
The Master Trust Bank of Japan, Ltd. (trust account)	1,893	4.78
Seiwa Sogo Tatemono Co., Ltd.	1,503	3.80
The Yokohama Rubber Company, Limited	1,341	3.39
Japan Trustee Services Bank, Ltd. (trust account)	1,052	2.66
Furukawa Electric Co., Ltd.	877	2.21
Fuji Electric Co., Ltd.	862	2.18
Sompo Japan Insurance Inc.	839	2.12
Chuo Real Estate Co., Ltd.	687	1.73
JUNIPER	664	1.68

Notes: 1. The above excludes the Company's holdings of treasury stock, totaling 904,102 shares.
2. The Company's holdings of treasury stock, totaling 904,102 shares, are excluded from shareholding ratio calculations.

Composition of Shareholders



Directors and Auditors (As of June 27, 2019)

President and Representative Director	Naohisa Miyakawa
Managing Director	Kiyohito Mitsumura
Director	Masahiro Ogino
Director	Tatsuki Nazuka
Director	Hiroyuki Sakai
Director	Minoru Nakatogawa
Outside Independent Director	Tatsuya Tejima
Outside Independent Director	Yoichi Mukae
Outside Independent Director	Kazumi Nishino
Audit & Supervisory Board Member	Minoru Iwata
Audit & Supervisory Board Member	Kazuo Inoue
Outside Independent Audit & Supervisory Board Member	Tetsuro Ueno
Outside Audit & Supervisory Board Member	Masayuki Yamashita

Executive Officers (As of June 27, 2019)

Managing Executive Officer	Masahiro Ogino
Managing Executive Officer	Hiroyuki Abe
Senior Executive Officer	Tatsuki Nazuka
Senior Executive Officer	Hiroyuki Sakai
Senior Executive Officer	Minoru Nakatogawa
Senior Executive Officer	Katsuhira Kawashita
Senior Executive Officer	Osamu Miyazaki
Senior Executive Officer	Atsushi Takano
Senior Executive Officer	Takeshi Miyajima
Executive Officer	Kenichi Kurita
Executive Officer	Atsushi Otani
Executive Officer	Tatsuyuki Muramatsu
Executive Officer	Masanori Saito
Executive Officer	Hitoshi Iida
Executive Officer	Tsutomu Kaneko
Executive Officer	Masayuki Kunou

Corporate History

1875 Began the operation of the Kusakura Copper Mine in Niigata (Company foundation).

1877 Began the operation of the Ashio Copper Mine in Tochigi.

1900 Set up a machinery works at the Ashio Copper Mine and entered into the machinery business.

1914 Manufactured the first rock drill in Japan.

1918 Spun off mining business from Furukawa General Partnership and established Furukawa Mining Co., Ltd.

1944 Bought Osaka Smelter of Toa Chemical Smelting Co., Ltd., and established it as Osaka Cementation and Refining. Entered into the chemical business.

Built the Oyama Works of the Machinery Division of the Ashio Copper Mine in Tochigi.

1950 Built the Takasaki Works of the Rock Drill Division in Gunma.

1951 Began manufacturing of titanium dioxide and cuprous oxide at Osaka Cementation and Refining.

1962 Completed the Furukawa / Outokumpu flash smelting plant at Ashio Smelting and Refining.

Completed research and development of high-purity (99.999%) metallic arsenic and commenced with sales of it.

1987 Bought UNIC Corporation (manufacturer of truck-mounted cranes).

1989 The Japanese name changed from Furukawa Kogyo Kabushiki Kaisha to Furukawa Kikai Kinzoku Kabushiki Kaisha.

1990 Bought an American breaker sales and manufacturing company.

1997 Established a manufacturer of UNIC products / components in Thailand.

The Ashio Copper Mine is where the Furukawa Company Group began.

The first domestic rock drill was developed (for the Ashio Copper Mine).

At the Oyama Works, pumps and mining machinery for copper mines were manufactured, not only for internal use but also to sell externally.

At the Takasaki Works, rock drills were mass produced, and we established the position of a leading rock drill manufacturer.

Arsenic is one of the by-products generated during the smelting stage of copper concentrates.

"UNIC" has become a synonym for truck-mounted cranes in Japan.

This is an affiliate company for the UNIC business established in Rayong, Thailand, which manufactures truck-mounted cranes and other products.

1998 Established a sales company of rock drill products in Holland.

2003 Established a joint company for the manufacturing and distribution of UNIC cranes in China.

2005 Spun off the Machinery business, Metals business, and Electronic Materials and Chemicals business and shifted to a group management structure as the Furukawa Company Group to enhance management.

2006 Established a rock drills sales company in China.

2007 Formed a capital and business alliance for the GaN semiconductor epi-wafer business with POWDEC K.K.

2008 Set up the Nitride Semiconductors Department as a GaN and related nitride semiconductor-related research organization.

2009 Built the laboratory of the Nitride Semiconductors Department in Oyama.

Made Tohpe Corporation, which manufactures and distributes paints and chemicals, into a consolidated subsidiary.

2010 Acquired interest in Canadian copper mine.

2011 Established a sales company of rock drill products in India.

2012 Established a sales company of rock drill products in Panama.

With the sale of all of its shares in Furukawa Commerce Co., Ltd., the Group has withdrawn from the fuels business.

2013 The Group exited the paints business with the sale of all of its shares in Tohpe Corporation.

2014 Completed Muromachi Furukawa Mitsui Building in Nihonbashi, Tokyo.

Established a coil processing company in the Philippines.

Established the Tsukuba Development Center, which integrates a technology research operation.

2015 Formulated the Management Philosophy, Action Guidelines, and Vision for 2025.

2018 Established sales company for rock drills and other products in Malaysia.

This is an affiliate company for the construction and mining machinery business established in Utrecht, Holland, which distributes rock drills and other products.

This is an affiliate company for the UNIC business established in Taian, Shandong, China, which manufactures and distributes truck-mounted cranes and other products.

In 2009, the laboratory of the Nitride Semiconductors Department was built in Oyama.

Muromachi Furukawa Mitsui Building, consisting of a commercial facility (COREDO Muromachi 2), offices, and rental accommodation.

An affiliated company in the electronic materials business makes coils in Bulacan Province, Philippines.

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